



Daily Report

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Daily Report

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General

RENMIN RIBAO Comments on Toronto Summit
HK2506050888 Beijing RENMIN RIBAO in Chinese
17 Jun 88 p 7

[Commentary by Zhang Dezhen (1728 1795 4176):
"Looking Into the Toronto Summit of Seven Western
Countries"]

[Text] The 14th summit of the seven (to be attended by leaders of the United States, the United Kingdom, France, the FRG, Italy, Canada, and Japan) will be held in Toronto, the largest city of Canada between 19 and 21 June. The central topic on the agenda is strengthening Western efforts at "economically coordinating" policy to keep the world economy on an even keel; and East-West relations after the U.S.-USSR Moscow summit will also be discussed.

A difference from past sessions is that the current meeting is called at a time when the Western economic situation has turned for the better. The Western economic recovery, which began in November 1982, has entered its 6th year. Despite the strong impact of the stock market crash last October, the Western economy has generally developed in a healthy trend to the first half of 1988. For example, the U.S. GNP rose by 3.9 percent in the first quarter of the year, while the economic growth rates of other Western countries were higher than expected at the beginning of the year. Besides, the dollar and the stock market have been relatively tranquil, and the trade imbalance has relaxed somewhat. All this "good news" has added an optimistic atmosphere to the Toronto summit to be opened soon. No wonder some people have said that, the current summit is likely to become "a friendly gathering filled with mutual congratulations."

At present, however, new troubles have come about in the Western economy. They are also the topics to be focused on at the current Toronto summit. These problems are:

First, how to keep the ever-increasing inflation under control. Take the U.S. for instance. A general price hike has accompanied the "over-heating" phenomena in the economy, such as a rising economy, a drastic increase in exports, and a drop in the unemployment rate. The UK and Canada are also under pressure from aggravating inflation. To deal with it, both the U.S. and the UK have to tighten their grip on the money market and increase interest rates. However, increased interest rates will not only repress enterprise investments, but also aggravate the bear market in the stock exchange. To resolve this situation, Canadian Prime Minister Brian Mulroney has proposed that the current summit formulate a policy "to ensure an inflation-free Western economic growth."

Second, how to keep the dollar and the stock market on an even keel. With the 1987 stock market crash, the dollar dropped, and fell to a post-war record low with the exchange rate between the dollar and the yen at 1:120 toward the end of 1987. Since the beginning of this year, the exchange rates of the dollar against other currencies has gradually stabilized, with the exchange rates between the dollar and the yen, and between the dollar and the FRG mark basically maintaining the levels of 1:125 and 1:170 respectively. Relevant personalities believe that such exchange rates have generally reflected the actual levels of the currencies of major countries at present. In view of the fluctuations of the dollar affected by various factors, Japanese Prime Minister Noboru Takeshita is ready to initiate the establishment of an exchange rate "reference quotations range" [cankao hanqing dai 0639 5072 5887 1906 1601], and will urge the initialling of an official accord to make it "restrictive." Despite the impact of the stock market crash last October, no drastic fluctuations have occurred so far in the stock market this year. However, the stock market has been slack with little transaction, while any sign of disturbance will lead to fluctuations. This shows that the Western money market remains rather fragile, and people still lack full confidence in the economy, with some factors leading to another stock market crash not entirely gotten rid of. The question of how to avoid a repetition of "Black Monday" will also be a topic on the agenda of the current summit of the seven.

And third, how to further reduce Western trade imbalance. In recent years, Japan has increased its imports and cut back its exports with yen appreciation and expansion of domestic needs. As a result, its favorable trade balance dropped by 15.3 percent in 1987. With the stimulation of the dollar devaluation on U.S. exports, U.S. trade deficits have begun to drop. In the first quarter this year, U.S. trade deficits fell drastically by 12.7 percent. This trend has changed the Western trade imbalance for the better. However, Japan continues to maintain a tremendous sum of \$60 billion in its favorable trade balance with the United States, while Japan's favorable balance with Western Europe will continue to grow. Therefore, the current summit will focus on "reducing the imbalance in world trade and international payments" as the chief target. U.S. President Reagan said he would attend the Toronto meeting with a "global economic" view. He denounced trade protectionism for "leading astray" the world economy. However, the positions of various countries have always been widely divergent.

The current meeting will also discuss easing the burden on Third World debtors. At present, the debts of developing countries exceeds \$100 million, and has become an important factor causing turbulence in the world economy. On the eve of the Toronto summit, French President Mitterrand and British Prime Minister Mrs Thatcher have, on different occasions proposed easing the burden on the most impoverished debtors, especially African debtors. Japanese Prime Minister Noboru

Takeshita has also expressed Japan's intention of increasing loans to the most impoverished nations without compensation. It is estimated that an accord will be reached on this issue.

Another important topic at the current summit of the seven will be the impact of the U.S.-USSR summit as well as the East-West prospects thereafter. It is believed that the U.S. leader will brief the other participants on the relevant conditions of the Moscow meeting to win the support and cooperation of U.S. allies. Regarding the

other Western countries, although they have welcomed the accomplishments of the U.S.-USSR Moscow summit, they are striking an extraordinary "wait-and-see" pose.

It is generally believed that, although the current summit of the seven are facing lots of major difficult issues, it is estimated a light and harmonious atmosphere will be maintained because of the rather fine Western economic situation. Of course, just as the host of the meeting, Canadian Prime Minister Brian Mulroney has said, we cannot expect any "striking results" from the current summit.

United States & Canada

Embassy Spokesman on Dalai Lama Speech
HK2706105888 Beijing RENMIN RIBAO in Chinese
24 Jun 88 p 6

[Report by reporter Jing Xianfa (2529 2009 3127): "Spokesman for Chinese Embassy in the United State Refutes Dalai Lama's Speech in France"]

[Text] Washington, 22 Jun—The spokesman for the Chinese Embassy in the United States published a statement today pointing out that the speech delivered by the Dalai Lama in Strasburg, France, actually denied the sacred sovereignty of the Chinese Government over Tibet, and intended to turn the so-called Tibetan issue into an international one.

Zheng Wanzhen, news consellor at the Chinese Embassy in the United States said: The Dalai Lama put forward a "5-point plan" for the so-called "Tibetan status" before the U.S. House of Representatives "Human Rights Committee" last September. This year he delivered his speech at a press conference in Strasburg, France. When compared with the "5-point plan," we note that some points in his speech have been changed and are different in tone from the "5-point plan." However, this speech by its nature has distorted history, twisted reality, negated Tibet as an integral part of the Chinese territory, and denied the Chinese Government's sacred sovereignty over Tibet

Zheng Wanzhen said: The Dalai Lama's speech has completely distorted the history of Tibet during the over 30 years since its liberation. People who know the history of Tibet know that Tibet was peacefully liberated after the signing in Beijing of the 17-article agreement on the peaceful liberation of Tibet between the central people's government and the Tibetan local government in May 1951. Since then the situation whereby Tibet was invaded by foreigners has been brought to an end. The Dalai Lama himself sent a telegram to Chairman Mao Zedong on 24 October, 1951, stating that: "The local government of Tibet and Tibetans, lamas, and laymen, unanimously support the agreement. They will positively assist the PLA troops, which has entered Tibet to strengthen national defense, in driving the imperialist force out of Tibet and in protecting the motherland's unity of sovereignty over the territory under the leadership of Chairman Mao and the central people's government. This telegram is to inform you of this."

Zheng Wanzhen pointed out that: "China's sovereignty over Tibet cannot be denied. Dependence, semi-dependence, and disguised independence of any form for Tibet is not allowed."

On talking about the Chinese Government's attitude toward the return of the Dalai Lama to China, consellor Zheng said: "We have indicated to the Dalai Lama many times that he himself or his representatives are welcome

to come to Beijing for talks with the central government. Except for the question concerning Tibetan independence all other matters can be discussed. The communication channels between the Dalai Lama and the central government is always open."

The so-called "office of Tibet" established by the Dalai Lama in New York recently distributed copies of the Dalai Lama's Strasburg speech to many U.S.A. news organizations. The statement by the Chinese Embassy spokesman is an official answer to questions raised by U.S. reporters.

China-U.S. Joint Economic Session Ends
HK2406133188 Beijing CEI Database in English
24 Jun 88

[Text] Beijing (CEI)—The China-U.S. joint session on industry, trade and economic development with over 2,000 people participating closed here Thursday.

During the four-day session, leaders from China's 22 provinces and cities briefed the American participants on the local investment environment and the development of various economic sectors. They discussed matters for cooperation and signed letters of intent.

It is learnt that the American participants will travel to other provinces and municipalities of China for wider contact with Chinese counterparts.

Sponsor Praises Outcome
OW2606203788 Beijing XINHUA in English
0617 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)—The U.S.-China joint session on industry, trade and economic development which ended on Thursday was "exciting" and the response, "heartwarming," one of the session's American sponsors says.

Norman Swanson, 38-year old chairman of the Citizen Ambassador Program of People To People International in the U.S., said the session demonstrated to American businessmen the rapidly improving investment climate in China and the great changes that have taken place since the Seventh National People's Congress.

It was the biggest gathering of its kind between the two countries.

Swanson said there were still some problems to work out and the main one was the legal area.

Americans, he said, are unfamiliar with Chinese laws and this might slow the process of cooperation.

"The most important thing is to recognize those obstacles, and try to solve them," he said. "China has gone beyond that step."

Swanson said the success of the session has spurred on organizers to plan another in Japan this September.

People To People International, set up in 1956, brought its [word indistinct] to China in 1978. The number of exchange visits has increased each year.

Next year, the United States and China will jointly hold an international conference on public health in Beijing.

Survey on Cooperation

HK2406132988 *Beijing CEI Database in English*
24 Jun 88

[Text] Beijing (CEI)—A survey recently carried out by the China Center for International Science and Technology under the China Association for Science and Technology showed that sixty percent of over 600 U.S. medium-and small-sized firms are willing to cooperate with China in various forms.

The survey also showed that 30 percent of these firms will import Chinese products and technologies as well as recommend their products and technologies to China or seek Chinese agents.

Board chairmen and vice-chairmen of the firms attended a joint seminar on Sino-U.S. industrial, trade and economic development here.

According to an official in charge of the seminar, these U.S. firms ranged from light industry, textiles, electric machinery, raw materials, construction, metallurgical to food processing and production. Their annual production output values or turnovers ranging between 20 million and 1 billion U.S. dollars.

The official said that it will be the first visit to China for 90 percent of those participants, and over 30 percent of them have expressed their intent to study conditions in China in a bid to decide the establishment of business ties with them.

Some 25 percent of these firms expressed their willingness to carry on processing and assembling business with materials provided, according to buyers' designs, or expand compensation trade, establish joint venture and solely funded enterprises and conduct technological transfer in China.

Vice Minister Wang Pingqing on Trade With U.S.
OW2506110188 *Beijing BEIJING REVIEW in English*
20-26 Jun 88 pp 14-16

[Article by Wang Pingqing, vice minister of foreign economic relations and trade: "Sino-U.S. Trade Cooperation Expands"]

[Text] Since the establishment of normal diplomatic relations between China and the United States in 1979, Sino-U.S. direct trade has made rapid progress. In that

year the two countries signed the Sino-U.S. Trade Relations Agreement which stipulated that from February 1980, each country would grant the other most-favoured-nation treatment. The agreement created favourable conditions for the growth of economic and trade relations between the two countries.

The development of Sino-U.S. economic and trade relations has been highly valued by the governments and leaders of the two countries. With the deepening of mutual understanding, China and the United States have signed cooperative agreements on industry, technology and fishery, on avoiding dual taxation and tax evasion and on the peaceful use of nuclear energy. These agreements provide legal guarantees for economic and technological cooperation and bilateral trade between the two countries.

To review the development of economic cooperation, technology transfer and bilateral trade and ensure smooth economic and trade relations, China and the United States have set up a joint committee on commerce and trade on the ministerial level. Since 1983, six meetings have been held in rotation in the capitals of the two countries.

Thanks to the joint efforts of the two countries, Sino-U.S. trade has made giant strides. According to statistics supplied by China's Customs House, in 1978, the year before the establishment of diplomatic relations between China and the United States, the total trade volume of the two countries was U.S. \$990 million. But the volume of bilateral trade soared to U.S. \$7.875 billion last year, 8.95 times the 1978 figure.

The United States has become China's third largest trading partner. In 1987 China exported commodities totalling U.S. \$3.04 billion to the United States and imported U.S. \$4.835 billion worth of goods from that country.

Textiles and clothing made up the lion's share of China's exports to the United States, accounting for more than 40 percent. Crude and refined oil are the two other major Chinese exports to the United States—more than 3 million tons of crude oil and one million tons of refined oil a year. Other staple exports include foodstuffs, tea, perfume oils, animal by-products, pottery and porcelain, footwear, toys, handicrafts, black metals, nonferrous metals, rare earth, chemical products and mechanical and electrical products.

Sino-U.S. trade in recent years has changed from a straight exchange of goods to a diversified system (with mutual investment, cooperative production, compensatory trade, processing with supplied materials and leasing) which integrates industrial and technological import with trade.

The structure of U.S. exports to China has also changed from primary products to machines, technology and equipment. For instance, in the past China imported large quantities of agricultural products, industrial chemicals and timber from the U.S. But the percentage of mechanical and electrical products and instruments imported has risen from 24.4 percent in 1984 to 42.2 percent in 1987, to a value of U.S. \$1.608 billion. Major commodities include planes for civilian use, of transport, vehicles, computers, oil, chemical equipment and power generating equipment. [sentence as published]

On the other hand, China's exports to the United States have also diversified. While continuing to export traditional products such as textiles, clothing, crude and refined oil, handicrafts and foodstuffs to the United States, China has expanded exports of machines and manufactured products (TV sets, transistors, electronic organs and photographic materials). These changes form a solid foundation for further expansions in the two-way trade between China and the United States.

While Sino-U.S. bilateral trade continues to expand, economic and technological cooperation between the two countries is also strong. Remarkable economic returns have been chalked up. According to statistics from the Chinese side, the number of U.S.-invested projects operating to the end of 1987 totalled 408, with a contract value of U.S. \$3.04 billion, next only to Hong Kong and Macao. The United States leads all the countries in investing in China, both in terms of total value and the number of projects involved. Cooperation covers a wide range of fields, including the manufacture of planes, oil exploration and development, the production of machinery, equipment, motor vehicles and medicines, the processing of foodstuffs, and the establishment of hotels.

In accordance with the agreement on industrial and technological cooperation, the two countries have since 1984 agreed to cooperate in the fields of metallurgy, telecommunications, electronics, machinery, aviation, energy resources, medicine and the technical updating of China's enterprises. Successful Sino-U.S. joint ventures and cooperative enterprises which have captured international attention include the Beijing Jeep Company, the Shanghai Foxboro Co. Ltd. and the China Tianjin Elevator Co. Ltd.

China has also invested and set up joint ventures or exclusively Chinese-operated enterprises in the United States. Their business scope covers trade, the development of resources, industrial and agricultural production, clothing production, transport and communication projects, consultancy services, contracted projects, banking, tourism, and operation of Chinese restaurants.

The achievements of China and the United States in economic and trade relations are praiseworthy. However, great potential in their economic and trade cooperation has not been fully tapped. Some barriers still

stand in the way of further economic and trade expansion. For instance, some U.S. legislations biased against China have not been revised; China has not enjoyed the Generalized System of Preferences which should be extended to a developing country; exports of some Chinese commodities have been restricted by the United States; and U.S. technology transfers to China have been strictly controlled. The two countries have not signed investment protection and sea transport agreements.

More and more people are aware that both sides benefit from the expansion of bilateral trade. At the sixth meeting of the joint committee on commerce and trade held in Washington last month, both sides agreed that great potential exists for economic and trade cooperation. Both sides were satisfied with the growth of economic and trade cooperation in the ten years since the establishment of diplomatic relations between the two countries and they believed that the economic situation in both countries now more than ever favours the expansion of trade. The U.S. side expressed the hope that both sides will meet the challenges of the next ten years with the same creative and cooperative spirit.

The time is indeed ripe for cooperation. As the largest developing country in the world, China is devoting itself to large-scale economic construction and will be importing funds, technology, equipment and necessary raw and semi-finished materials from abroad in large quantities. As the world's major developed country, the United States is blessed with advanced technology, equipment, managerial expertise and abundant funds. China's increasingly competitive export products will provide the United States with more choice. With its deepening reforms, opening wider to the outside world and the implementation of a strategy for developing export-oriented economies in coastal areas, China has provided more and more opportunities for the development of Sino-U.S. economic and trade cooperation. I am convinced that as long as both sides continue in their joint efforts, this cooperation will open up a new era in their bilateral trade relations.

Yan Jici Meets U.S. Science Prize Winners
OW2506043688 Beijing XINHUA in English
0948 GMT 24 Jun 88

[Text] Beijing, June 24 (XINHUA)—Yan Jici, vice chairman of the Chinese National People's Congress Standing Committee, met with a group of U.S. Westinghouse science talent search prize winners of Chinese descent here today.

The group is headed by Ho Nan, a graduate student of the University of California.

Paper Reports Pentagon Arms Scandal
HK2406053188 Beijing RENMIN RIBAO in Chinese
22 Jun 88 p 6

["Newsletter from America" by RENMIN RIBAO reporter Zhang Yunwen (1728 0336 2429): "The Pentagon Scandal Shocks the United States"]

[Text] Washington, 19 June—The secret investigation involving tens of arms companies and a large number of Pentagon officials has shocked all sectors of the community in Washington.

On 14 June, the Federal Bureau of Investigation (FBI) and the Naval Intelligence Service conducted unprecedented, massive raids on tens of offices of major arms contractors in 12 states, military industrial consultants who once held office in the Pentagon building, and of incumbent officials and their homes. On 15 and 16 June, a Federal Grand Jury issued 350 summons to those under investigation, demanding documents and testimony from them. The offices of three members of the House of Representatives were also searched.

Surprisingly, the investigation into the scandal, considered the most serious in the history of the Pentagon, has been conducted in great secrecy for 2 years and even President Ronald Reagan, the Defense Secretary, and the Attorney General were kept completely in the dark.

It has been reported that the current large-scale investigation was sparked by a telephone call 2 years ago. A former Navy staffer working for an arms contractor received the telephone call from a military consultant. Most of these consultants are military men or defense officials holding important positions. The consultant indicated that he wanted to sell a piece of information obtained from the Department of Defense to the Navy staffer who then reported the matter to the Naval Intelligence Service. After obtaining evidence of the consultant's bid to sell information, the Naval Intelligence Service forced him to cooperate in recording conversation between himself and the defense official who provided him the information. Following this, the investigators tracked down the case and discovered a network of military consultants within the Department of Defense, a network engaged in buying and selling information.

So far some 20 defense officials have been investigated. These people provided military consultants with information in exchange for money or future job positions and then the latter sold the information they got to defense contractors so that the contractors could win favorable weapons contracts.

According to initial disclosures, one of the important figures involved in the case is a former under secretary for the Navy. After leaving the Department of the Navy,

he served with some big defense contractors as a consultant. Through his former relations with the Department of Defense, he obtained information on the department's budget and buying plans and sold it to the military contractors.

On 16 June, President Reagan called a meeting of senior government officials and demanded the case be thoroughly investigated as quickly as possible.

Vice President George Bush, who is running for the presidency, was extremely shocked by the scandal. In a statement, he denounced the case and said: If the details of the case are true, these people are stealing money not only from the Department of Finance but also from "national defense and security."

In investigating the scandal, the courts unprecedentedly authorized the use of electric investigative means, such as telephone recording and bugging. The FBI and the Naval Intelligence Service recorded all the conversations on 12 telephones. According to an NBC report obtained from the Department of Justice, the court-authorized telephone recording activities lasted for 291 days during which 4,800 telephone conversations were recorded of which 571 involved illegal activities.

American arms companies are all owned by the private sector. The Pentagon is almost their sole leading client. These companies compete with one another for the Pentagon's arms contracts worth \$100 billion a year. To win a superior position in bidding, they try every possible means to wrest secrets from the Department of Defense, such as the types of weapons needed by the military, proposals to be forwarded to the Pentagon, and plans of other arms companies. Consultants who once worked in the Pentagon provide consultancy services to military contractors. In so doing, some rely on their experience and others rely on selling information which they stole by illegal means.

There was an uproar on Capitol Hill when the large-scale investigation was made public. Many congressmen called the case "the most serious arms-buying scandal in the history of the Department of Defense" and demanded the case be promptly investigated and those who violated the law be punished. After being briefed on the details of the case by the Department of Justice, some congressmen cried out in alarm: The details of the case are so serious and the areas involved are so vast that the case is "beyond imagination." They said that the Pentagon had become "a big money bag with its mouth wide open," fattening up military contractors and consultants.

However, some congressmen were not surprised at the case. They pointed out: The "revolving door" phenomenon is nothing new in Washington. It is not uncommon for some government officials to work in privately run consultancy companies and "sell their connections and influence" soon after leaving government office.

The investigation is now deepening. Attorney-General Edwin Meese is expected to file formal indictments within 1 to 3 months. The media maintains: As the investigation deepens, the case will have a great influence on the military budget, presidential elections, and the arms-buying structure.

Evaluation of Bush, Dukakis Election Strengths
HK2406043188 Beijing GUANGMING RIBAO
in Chinese 10 Jun 88 p 4

["Commentary From Washington By GUANGMING RIBAO Reporter Wang Deming(3769 1795 6900): "Who Will Be the Host of the White House? Dukakis And Bush Will Display Their Respective Prowess—Initial Analysis on the Situation of the U.S. Presidential Election"]

[Text] After 4 months of scrambling and contention, the presidential primaries for candidates of the Republican and Democratic parties in the 50 states officially ended on 7 June. Polls from New Jersey, Montana, New Mexico, and Massachusetts, the last 4 states to have held the primaries, showed that Massachusetts Governor Dukakis defeated black civil rights movement leader Jackson with a considerable majority. In the absence of a rival, Vice President Bush secured his position as presidential candidate for the Republican Party. Now that the dust has settled, we will see how Bush and Dukakis square up to each other in the fight to become host of the White House.

One or two months ago, American public opinion favored Bush as the American economy was, at that time, performing well; this had given the ruling Republicans an advantage. For, in general, the pragmatic-minded American voters are concerned most of all with the ups and downs of their family income. In foreign relations, the U.S.-Soviet relationship has improved. Talks on arms control have made progress, especially with the intermediate-range guided missile treaty having been signed. No doubt, these will be assets for Bush in his election campaign. Moreover, Bush has years of experience in public office, outweighing his Democratic opponent. Over half the time since the primaries for presidential candidate started, Bush had repeatedly stated the consistency of his domestic and foreign policies with Reagan's. This had the effect of pushing up his votes and Bush was able to defeat all the opponents within the Republican party.

However, there are two sides to everything. In Reagan's presidential term, huge federal budget deficits and trade deficits have been on the increase. And there was the Wall Street crisis last October. There is a lack of confidence among the public in the prospects for the American economy. Election opponents and public opinion have been stirred up by the official conduct of Attorney General Meese; over what role Bush played in

"Irangate"; and his link, if any, with the drug trafficking of Noriega, Panamanian commander in chief of the National Guard. These thorny issues have recently lowered Bush's prestige.

According to sample surveys conducted by several American opinion poll organizations, Dukakis is in the lead. Some figures show that 54 percent support Dukakis, while Bush draws only 38 percent of the votes. Others show Dukakis with 49 percent, Bush 39 percent. According to the opinion poll jointly held by the NEW YORK TIMES and CBS, Reagan's personal fame is not of much help to Bush: There are many voters who think that the Reagan administration performed badly on quite a number of important issues, especially the drug issue, which has become a hot topic in this year's presidential election. Those surveyed in the opinion poll think that the Democrats have handled the drug problem better than the Republicans. For Bush, the poll has raised a number of critical questions, such as his decisionmaking power on important foreign and domestic problems; whether he has enough experience to be a good president; and whether he is able to handle problems in an independent way, without being shackled by special interests groups. Of course, these serious challenges are faced by Dukakis as well. The fact that he has taken the lead in recent opinion polls owes much to the underlining of his political achievements in the office of governor of Massachusetts. The psychology of the American voters is different from the past, according to the analysis made by WASHINGTON POST of 8 June. "They no longer take weaponry as the measure in judging the strength of the nation. They have their eyes on economic achievements. They hope the next president will focus on home, that he will grapple with the problems of education, drugs, health and baby care." Public opinion thinks however, that Dukakis's weakest point is that in nationwide term he is less well-known than Bush.

On June 7, Bush admitted that at present he is in an inferior position. Recently on the U.S.-Soviet relationship and Panamanian problem he has given opinions different in tune from Reagan's. Public opinion sees this as a change of Bush's campaign policy in an attempt to display his own style; a change of image to increase his attraction.

There are 5 months to go before the presidential election. American presidential elections have always been treacherous and unpredictable. The result often depends on specific situations and shifts at the time; voters' passions; and the fuel that public opinion adds to the election on its eve. As of now, Bush and Dukakis match each other in strength. The eventual winner depends on the respective prowess they display.

Canada Expels Another Soviet Diplomat
OW2406131588 Beijing XINHUA in English
0151 GMT 24 Jun 88

[Text] Ottawa, June 23 (XINHUA)—Canadian Internal Affairs Department today ordered another Soviet diplomat expelled in immediate response to the Soviet expulsion of two Canadian diplomats from the Soviet Union and barring of three others from returning to Moscow.

Canadian Deputy Prime Minister Don Mazankowski said Soviet Colonel Grigoriy Stepanovich Roublev was ordered to leave the country on charges of engaging in activities inconsistent with his diplomatic status.

Meanwhile, Sergey Mikhaylovich Kashtanov, a former second secretary at the Soviet Embassy, has been declared persona non grata. He will not be allowed to return to his post in Ottawa.

A spokesman from the Soviet embassy in Ottawa said Kashtanov left Canada about 4 years ago.

Today's announcement brings to 9 the number of Soviets expelled from Canada and 10 declared unwanted in Canada.

Last week, the Canadian Government had kicked out eight Soviet diplomats and banned nine others from reentry into Canada on charges of industrial spying.

The Soviets beat back yesterday by telling two Canadian diplomats to leave the Soviet Union and three others not to come back.

Canadian Official on Expulsion
OW2606070088 Beijing XINHUA in English
2335 GMT 25 Jun 88

[Text] Ottawa, June 25 (XINHUA)—Paul Frazer, spokesman for Joe Clark, external affairs minister of Canada, today called the latest expulsion by Moscow of a Canadian diplomat a "serious escalation".

He said "this is viewed as a serious escalation in the matter and we can't ignore it."

Radio and TV reports here confirmed that Deputy Soviet Foreign Minister Aleksandr Bessmertnykh summoned Canadian Ambassador Vernon Turner on Saturday to say that the senior military attache at the Canadian Embassy, Col. Larry Bowen was expelled.

The Soviet Union also barred seven others from returning and withdrew 25 Soviet staff from the Canadian Embassy in Moscow in retaliation for the Canadian expulsion of Soviet diplomats.

Soviet Union

Soviet Party Conference To Open 28 Jun

'Backgrounder' on Conference

OW2506055288 Beijing XINHUA in English
0019 GMT 25 Jun 88

["Backgrounder: Soviet Party Conferences"—XINHUA headline]

[Text] Moscow, June 25 (XINHUA)—Soviet leader Mikhail Gorbachev's reform program, or "perestroyka," is set to be the focus of next week's Soviet national Communist Party conference in what promises to be a major political event in the life of the Soviet Communist Party and Soviet people.

The national party conference, the first in 47 years, is scheduled to start here on June 28.

A party conference is a form of collective discussion to resolve urgent issues arising between party congresses, which are convened every five years as the supreme body of the party.

The focus of attention at next week's 19th national conference will be discussions of reform policies, particularly reform of the political structure. According to an agenda approved in June by the plenum of the party Central Committee, the upcoming conference will review the progress of reform since the 1986 party congress, define future tasks and discuss measures to democratize party life.

According to rules adopted in 1939, a national conference holds the third most important position after a congress and the Central Committee. It is empowered to renew part of the Central Committee. Other decisions taken at a national conference have to be confirmed by the Central Committee before becoming mandatory for all party organizations.

Previous national conferences made changes in the leading bodies of the party. The sixth conference in January 1912 elected a new Central Committee as did the seventh conference in April of that same year. But no changes have been made at subsequent conferences.

Beginning from the eighth conference in December 1919, delegates were elected according to a representation quota set by the party Central Committee. The representation quota at the upcoming conference will be one delegate for every 3,780 party members. A total of 5,000 delegates have been elected. According to the election procedures, candidates were nominated at grass-roots party organizations and then were elected delegates in secret balloting at plenary meetings of the party Central Committees of the constituent republics and territorial and regional party committees.

It is noteworthy that the intervals between national conferences have varied. In some periods such forums were held every three months or annually. There were 18 conferences over a period of 36 years: The first in December 1905 and the last in February 1941. No conference has been held since then.

Under the rules adopted by the 27th party congress in 1986, national party conferences can be called by the Central Committee when necessary in the periods between congresses.

The decision to convene this conference, the 19th in the Soviet party's history, was made at a plenum of the party Central Committee in June 1987.

Press Official Interviewed

OW2606021788 Beijing XINHUA in English
0148 GMT 26 Jun 88

[Text] Moscow, June 26 (XINHUA)—Valentin Falin, board chairman of the Soviet press agency, said the upcoming 19th national conference of the Soviet Communist Party will make new conclusions about the country's three-year reform and define its future tasks.

In a recent interview with XINHUA, Falin said the conference will assess, revise and readjust those decisions made by the current leading body during 1985-1986 and proved wrong or inadequate.

The national party conference, the first in 47 years, is scheduled to start here on June 28.

Falin said the unhealthy tendencies in the past resulted from the fact that the party had replaced all government institutions by getting involved in economic management and other daily affairs while neglecting its political leading role.

Under such a situation, he suggested canceling the regular twice-a-year meetings of the Supreme Soviet and called for efforts to transform the organization into [an] institution able to promulgate laws and ensure their implementation.

Falin said the main problem facing the conference is whether the Soviet Union can shake off the socialist pattern set by the late Soviet leader Iosef Stalin.

The Soviets have realized the need to break away from the past after witnessing how the country deviated from scientific socialism and took the dogmatist socialist line, he said.

He noted that it is hard to say the reform in the country is irreversible before the conference adopts resolutions. He added that lots of work should be done in the country's economic reform.

Falin pointed out that the country now is halfway in the reform and that the conference should help speed up and enhance the reform so as to complete it within the shortest period of time.

XINHUA Analyzes USSR Restructuring Process
OW2606164088 Beijing XINHUA in English
1543 GMT 26 Jun 88

["Roundup: Progress, Problems in Soviet Perestroika Process"—XINHUA headline]

[Text] Moscow, June 26 (XINHUA)—The Soviet Union's perestroika (restructuring) drive, initiated three years ago by Mikhail Gorbachev, has broken a decade-long stagnation of the economy, but with new problems cropping up.

In Moscow streets today, one can see changes that were unthinkable before the restructuring process began.

One can see private taxi drivers vying with each other for passengers, crowds of young people buying fashionable dresses at hundreds of booths on the square in front of the Riga railway station, and smoke curling up from private stands selling roast meat, whose selling prices are usually 10 times higher than those at state-run shops.

Reform has brought about a breakthrough in changing people's attitudes toward the concept of ownership and production.

With the introduction of reform policies, people agree today that whether management, sizes of enterprises or forms of ownership should be diversified. [as received]

Along with the changes in the traditional conception of ownership, there have appeared in Leningrad large-scale chemical and dynamic machinery concerns. For instance, the Ocular Micro-Operation Research Institute of the Soviet Academy of Sciences has been allowed to operate on the basis of a leasing system. Some enterprises have begun circulating stocks, while the household contract-system has been introduced in many rural areas.

Beginning this year, as many as 11 bills on reforms, including legislation on state-run enterprises, on cooperatives and on individual labor, are gradually taking effect, providing reforms with legal foundations.

In the first five months of this year, the national income went up five percent and industrial production and the national economy both met their targets. Labor productivity increased by six percent and the goal for commodity circulation was met for the first time in memory.

However, just as the thesis of the Communist Party's upcoming national conference put it: "A fundamental turn for the better has not been achieved in the development of the Soviet economy."

Because reform policies have been based on the country's 12th Five-Year Plan, which is in line with its antiquated economic structure, both old and new economic systems are co-existing and functioning, resulting in notable contradictions.

So, what is the way out?

One view suggested that targets set in the current five-year plan be lowered so as to guarantee the smooth implementation of reforms, but others disagreed with this suggestion, saying that the Soviet Union had failed to fulfill many five-year plans in the past, and that people would lose faith in the reform drive if the current five-year plan again failed.

There are other proposals.

Because the old concept of economic growth, which emphasizes quantity, is still operating, government ministries, under the name of state purchasing, continue to assign obligatory production orders to their subordinate enterprises.

In an effort to cover up the fact that some enterprises lose huge amounts, authorities deduct part of the profit from well-managed enterprises and give it to loss-making enterprises, bringing profit to the same level. This greatly hurts the initiative for profitable enterprises to improve management.

According to recent official reports here, investment has increased and restrictions on policies loosed in a bid to tap the potential of the contract system based on leasing. However, this cannot be expected to bring about immediate results.

Moscow Expels Another Canadian Diplomat
OW2506230488 Beijing XINHUA in English
1856 GMT 25 Jun 88

[Text] Moscow, June 25 (XINHUA)—Moscow has expelled one more Canadian diplomat in retaliation for the expulsion Thursday by Canada of two Soviet representatives in Ottawa, the Soviet news agency TASS reported tonight.

Soviet Deputy Foreign Minister Alexander Besmertnykh Friday summoned Canadian Ambassador here Vernon Turner and told him that Canadian Defense Attache Colonel Larry Bowen was declared persona non grata and was ordered to leave the Soviet Union.

According to Bessmertnykh, the Canadian attache had been "engaged in activities incompatible with his official status."

The Soviet deputy minister also declared seven former Canadian diplomats persona non grata. They included one counsellor, one [words indistinct], three first secretaries, one second secretary and one third secretary.

Besides, 25 Soviet employees working at the Canadian Embassy in Moscow would be recalled, Bessmertnykh said.

Canada expelled two more Soviet diplomats Thursday following the retaliatory move by Moscow on Wednesday in order to expel two Canadian diplomats out of the country in response to the expulsion of 17 Soviet officials by Ottawa earlier this week.

Bessmertnykh told the Canadian ambassador to the USSR that if the Canadian side "resorts to any further provocative steps which will aggravate the relations between our two countries, it will [words indistinct] encounter adequate countermeasures."

Northeast Asia

DPRK's Kim Il-song En Route to Mongolia

Stops in Jilin Capital

OW2706004588 Beijing XINHUA Domestic Service
in Chinese 1037 GMT 26 Jun 88

[By reporter Chen Mingxing]

[Text] Changchun, 26 Jun (XINHUA)—Kim Il-song, general secretary of the Central Committee of the Korean Workers' Party and president of the DPRK, passed through Changchun yesterday on his way to visit Mongolia People's Republic. He was accorded a warm and friendly greeting and send-off by party, government, and army leaders of Jilin Province and Changchun City and 1,000 local people. With excitement, President Kim said to Comrade He Zhukang: "Korea and China are friendly neighbors and brothers. Like members of the same family, they should exchange visits frequently with each other."

At 2051 on 25 June, the special train carrying President Kim Il-song pulled slowly into the Changchun Station. National flags of China and the DPRK hung on the railway platform. Among the 1,000 well wishers, 200 primary and middle school students and performers with flowers and ribbons in their hands—singing and dancing—welcomed President Kim Il-song on his traverse through Jilin. When President Kim left the train with firm strides, leading comrades—including He Zhukang, secretary of the Jilin Provincial Party Committee and concurrently governor of Jilin; Wang Zhongyu, vice governor and deputy secretary; Liu Xilin, vice governor; Chen Xingyin, commander; Yu Zonghuan, political commissar of the provincial military district; Wu Yixia, secretary of the Changchun City Party Committee; and Shang Zhenling, mayor of Changchun—stepped forward to greet him. They shook hands warmly with President Kim Il-song and welcomed his traverse through Jilin. A young pioneer presented President Kim with a bouquet. High on the platform were big streamers bearing these slogans: "We warmly welcome President Kim Il-song's traverse through our country on his visit abroad!" "Bon Voyage to President Kim Il-song!"

After President Kim mounted the train again, Comrade He Zhukang followed him on to the train to bid him farewell. President Kim said: "I am very grateful that you have given me such a warm welcome!" He Zhukang said: "We are very happy to see you passing through Jilin, a place where you fought previously." President Kim said: "Our two countries are friendly neighbors. We should act like members of the same family!" President Kim also asked about the growth condition of this year's crop in Jilin.

Met by CPC Delegation

OW2606205988 Beijing XINHUA Domestic Service
in Chinese 1031 GMT 26 Jun 88

[Text] Manzhouli, 26 Jun (XINHUA)—Kim Il-song, general secretary of the Central Committee of the Korean Workers' Party and president of the Democratic People's Republic of Korea, passed through China's three northeastern provinces and Inner Mongolia Autonomous Region by special train on 25 and 26 June on his way to visit the Mongolian People's Republic.

Delegated by the CPC Central Committee, Jiang Guanghua, deputy head of the International Liaison Department, Liu Shuqing, vice minister of foreign affairs, and Luo Yunguang, vice minister of railways, made a special trip from Beijing to Dandong to greet President Kim Il-song and accompanied him all the way through China. They conveyed to President Kim Il-song cordial regards and best wishes from Zhao Ziyang, Deng Xiaoping, Yang Shangkun, Li Peng, Wan Li, Li Xiannian, and other leading comrades of the Chinese party and government as well as Peng Zhen and Deng Yingchao. President Kim Il-song expressed thanks for this and asked them to convey his regards to the Chinese leaders.

As the special train arrived at and departed from the main railway stations in China, principal local party, government, and Army leading comrades gave President Kim Il-song a rousing welcome and send-off. Among them were Quan Shuren, secretary of the Liaoning Provincial Party Committee; Li Changchun, governor of Liaoning; Liu Jingsong, commander, and Song Keda, political commissar of the Shenyang Military Region; He Zhukang, secretary of the Jilin Provincial Party Committee and concurrently governor of Jilin; Wang Qun, secretary of the Inner Mongolia Regional Party Committee; and Bu He, chairman of this autonomous region.

National flags of China and Korea were flown and greetings and farewell slogans hung at the Dandong, Changchun, and Manzhouli railway stations. When President Kim Il-song's special train arrived at and departed from these stations, the masses of well wishers who had gathered there, beating drums and gongs, singing and dancing, warmly welcomed his traverse through China on his visit abroad. They also wished him a pleasant journey. A child presented a bouquet to President Kim. Smiling, President Kim Il-song went to the masses of well wishers and waved to them again and again to express his appreciation.

The special train carrying President Kim Il-song and his entourage came across the Yalujiang Bridge linking the Chinese and Korean lands and arrived in China's border city of Dandong on the morning of 25 June. On the evening of 26 June, the train left Manzhouli, which is also a border city of China, for the Mongolian People's Republic.

Cables Zhao, Yang

*OW2606182188 Beijing XINHUA Domestic Service
in Chinese 1122 GMT 26 Jun 88*

[Text] Beijing, 26 Jun (XINHUA)—Kim Il-song, general secretary of the Central Committee of the Korean Workers' Party and president of Korea, sent a telegram today to Zhao Ziyang, general secretary of the CPC Central Committee, and Yang Shangkun, president of the People's Republic of China. The telegram expressed profound and earnest thanks for the warm reception and all kinds of conveniences the Chinese side accorded him when he passed China on his way to visit Mongolia.

In his telegram of thanks, President Kim Il-song said that the warm reception gave him a sense of the special cordial feeling of the Chinese comrades for the Korean people.

Also, President Kim sincerely wished the Chinese people greater success in their struggle to implement the resolutions adopted at the 13th CPC National Congress, build socialism with Chinese characteristics, and realize the complete reunification of their motherland.

Representatives for Friendship With Japan Gather

*OW2506015388 Beijing XINHUA in English
1104 GMT 24 Jun 88*

[Text] Beijing, June 24 (XINHUA)—Chinese representatives on the 21st Century Committee for China-Japan friendship gathered here today to discuss the plan for the fifth plenary session of the committee to be held later this year.

The meeting was presided over by Chinese chief representative on the committee Zhang Xiangshan.

Southeast Asia & Pacific

Sihanouk Leaves Beijing for Thailand *OW2506023188 Beijing XINHUA in English* 0816 GMT 24 Jun 88

[Text] Beijing, June 24 (XINHUA)—Samdech Norodom Sihanouk, president of Democratic Kampuchea, and Madame Monique Sihanouk left here today for Bangkok.

Speaking to the press at the airport, Sihanouk said that he is willing to negotiate with the other side in order to put an end to the miseries and sufferings of the Kampuchean people as soon as possible.

"This is why I say that I am in favor of dialogue. I am always going to say 'yes' to all proposals consistent in searching for a breakthrough or achieving progress in our search for an equitable solution to the Kampuchea problem," he added.

He said that he does not believe the plan announced by Vietnam to gradually withdraw its troops from Kampuchea.

Ngapoi Ngawang Jigme, vice-chairman of China's National People's Congress Standing Committee, saw the Sihanouks off at the airport.

Immediate SRV Withdrawal From Cambodia Urged *OW2506103088 Beijing BEIJING REVIEW in English* 20-26 Jun 88 pp 10-11

[By Yang Mu]

[Text] On May 26, a Vietnamese Defence Ministry spokesman announced that by the end of this year, Vietnam will withdraw 50,000 of its troops from Kampuchea and move the command of its occupation troops back to Vietnam. The remaining Vietnamese troops would be placed under the "direction of the Heng Samrin regime."

The announcement—three days before the opening of the U.S.-Soviet Moscow summit—caught the world's attention. But after review and analysis most countries expressed suspicion about the sincerity of the "partial withdrawal."

It is the seventh time since 1982 that Vietnam has declared a partial withdrawal from Kampuchea. The previous six times turned out to be troops rotations. The latest declaration is full of flaws. Here are four examples:

1. Vietnam calls its troops in Kampuchea "volunteer forces." How can this be so?

About 200,000 Vietnamese troops took part in a surprise invasion of Kampuchea on Christmas Eve, 1978. They burned, killed and looted wherever they went in the towns and the countryside. How can they be called "volunteer forces"?

For 10 years, Vietnam has been generally condemned as an aggressor in Kampuchea. Calling its forces volunteers, Vietnam has refused to accept United Nations resolutions which have consistently urged it to withdraw from Kampuchea. Hanoi also has refused to hold talks with Samdech Norodom Sihanouk and the Coalition Government of Democratic Kampuchea (CGDK) to resolve the Kampuchea problem. All Vietnamese proposals will be suspect if it does not change its stubborn stand on this question.

2. Vietnam is the aggressor in the Kampuchean war. It should withdraw all its troops unconditionally. The world wants to know why, if Vietnam sincerely wants to keep its word, it refuses to withdraw its troops all at once—and as quickly as when it invaded 10 years ago, taking Phnom Penh almost overnight.

Sihanouk and the CGDK have been patient about giving Vietnam time to prepare for withdrawal. Why has Vietnam rejected their eight-point proposal for a political settlement? As the aggressor, Vietnam has no right to make the exclusion of the Khmer Rouge, which has been fighting against its invasion, a precondition for the withdrawal of its troops from Kampuchea.

3. Since 1982 Vietnam has announced a "partial withdrawal" every year at the end of the dry season. According to the announcements, a total of 110,000-120,000 Vietnamese troops have been withdrawn from Kampuchea. Calculating on the basis of an original invasion force of 200,000, there would now be only 80,000-90,000 Vietnamese troops in Kampuchea. But this does allow for casualties. Considering the casualties over the past 10 years, hardly any troops would be left. International military experts, however, estimate that there are at least 120,000 Vietnamese troops in Kampuchea, proving that the previous "partial withdrawals" have all been phoney. How can Vietnam guarantee that its latest pledge to withdraw 50,000 troops is not the same old trick?

4. Vietnam declared that the command of its forces in Kampuchea will be withdrawn and the remaining Vietnamese forces placed under the direction of Phnom Penh. What has happened that Vietnam is proposing to subordinate its forces to the Heng Samrin regime, over which it has lorded during its occupation of Kampuchea? It is well known that all of the regime's higher-ranking officers are Vietnamese. Even if Vietnamese troops are left in Kampuchea under the direction of the regime, leadership of the troops will still be in the hands of Vietnam. No wonder people suspect that the Vietnamese want to mix their remaining troops with those of the regime in order to hang on in Kampuchea.

If Vietnam is sincere about settling the Kampuchean issue, it should pull out all its troops immediately and join Sihanouk and the CGDK in talks to find an early solution.

Pullout Suggested Basis for Talks

OW2606092288 Beijing XINHUA in English
0640 GMT 26 Jun 88

[Text] Bangkok, June 26 (XINHUA)—The Coalition Government of Democratic Kampuchea (CGDK) declared here today the basis of the proposed Jakarta informal meeting on Kampuchea should be the withdrawal of Vietnamese troops from that country.

The position was contained in a statement signed by President of Democratic Kampuchea Norodom Sihanouk, CGDK Prime Minister Son Sann, and Vice-President of Democratic Kampuchea Khieu Samphan yesterday after a meeting.

The statement said the CGDK demands the withdrawal of Vietnamese forces from Kampuchea in three phases under international supervision and at the end of the second phase the formation of a provisional quadripartite government, including the Heng Samrin faction, under the leadership of Sihanouk.

It also said the provisional government will be entrusted with the task of organizing free, direct and general elections, under international supervision, of a constituent assembly which will endow the country with her state constitution.

The statement called on Vietnam to join the Jakarta informal meeting as soon as possible, preferably the same day as promised by its Foreign Minister Nguyen Co Thach.

"Once an agreement is reached, concerned countries, the five permanent members of the United Nations Security Council and the secretary-general of the United Nations will participate in an international conference to guarantee the arising agreement and the independence, neutrality and territorial integrity of Kampuchea," the statement said.

Beijing Reports CGDK Statement on Jakarta Talks
BK2606121288 Beijing in Cambodian to Cambodia
1030 GMT 26 Jun

[Text] Our station correspondent reports from Bangkok that in a 25 June joint statement the three parties of Democratic Kampuchea pointed out that the CGDK [Coalition Government of Democratic Kampuchea] demands that Vietnamese Foreign Minister Nguyen Co Thach attend the unofficial meeting in Jakarta when it opens, to discuss how to end the Cambodian war with Samdech Sihanouk and representatives of the CGDK.

This joint statement, signed by Samdech Sihanouk, Prime Minister Son Sann, and Vice President Khieu Samphan, says the basic position of Samdech Sihanouk in holding talks with Vietnam is that Vietnam withdraw its forces from Cambodia in three stages under international supervision. After Vietnam completes the second stage of troop pullout, the Phnom Penh authorities should be dismantled and a provisional quadripartite coalition government headed by Samdech Sihanouk will be set up.

Our correspondent in Bangkok reports that on 25 June, CGDK President Samdech Sihanouk again said he will continue to fight for national liberation against the Vietnamese aggressors until the end. The samdech said this when he received Zhang Dewei, Chinese ambassador to Thailand and Cambodia, in Bang Saen, Thailand. Samdech Sihanouk reiterated that Vietnam should hold talks with the CGDK, which he heads. Only this way can the Cambodian problem be resolved definitively.

SRV Refuses To Speak Directly With Sihanouk

OW2406111188 Beijing XINHUA in English
1455 GMT 26 Jun 88

[Text] Hanoi, June 23 (XINHUA)—Vietnam will never talk directly with Samdech Norodom Sihanouk, president of Democratic Kampuchea, said Vietnamese Foreign Minister Nguyen Co Thach today.

Nguyen told a press conference here that there have appeared a number of deviations from the informal "cocktail party" meeting format agreed last Sunday by Indonesia and Vietnam in Ho Chi Minh City to discuss Kampuchean issue. The talks are to be held next month in Jakarta.

The intent of the changes, he said, is to demand direct talks between Vietnam and Sihanouk. "There will never be direct talks between Vietnam and Sihanouk," he declared.

Nguyen said Vietnam does not agree to positioning of international peace-keeping forces to Kampuchea. "Such a peace-keeping force will not bring about peace, but a Lebanese-like situation," he said.

He said Vietnam's Kampuchean friends (the Phnom Penh regime) have agreed to "set up an international supervision commission" in Kampuchea. However, he did not make it clear that such a supervision commission is to supervise Vietnam's total troop withdrawal from Kampuchea or a possible general election in the future.

Indonesian Delegation To Arrive 26 June

HK2406150488 Beijing XINHUA Hong Kong Service
in Chinese 0943 GMT 24 Jun 88

[Text] Hong Kong, 24 Jun (XINHUA)—A 30-member Indonesian trade delegation headed by Sukamdani Gito-sardjono, chairman of the Indonesian General Chamber of Industry and Commerce, will arrive in Hong Kong tomorrow and will visit Beijing on 26 June.

The Hong Kong China Travel Service Group will host a banquet in the Imperial Hotel on the evening of 26 June in honor of the delegation.

The delegation will pay a 6-day visit to China at the invitation of the China International Trade Promotion Council. It will study the possibility of holding an Indonesian trade fair in Beijing next year.

According to statistics disclosed by some Indonesian newspapers, bilateral trade has increasing continuously since the resumption of trade relations between Indonesia and China in 1985. Indonesia's exports to China totaled only some \$84 million in 1985 and increased to \$343 million in 1987, while China's exports to Indonesia amounted to \$244 million in 1985 and rose to \$408 million in 1987. In the first 2 months of 1988, Indonesia's exports to China were registered at \$101 million, while China's exports to Indonesia amounted to \$57 million.

Qin Jiwei Meets Burmese Youth Delegation
OW2506042088 Beijing XINHUA in English
0949 GMT 24 Jun 88

[Text] Beijing, June 24 (XINHUA)—Qin Jiwei, member of the Political Bureau of the Central Committee of the Chinese Communist Party and State Councillor, met with a delegation of the Lanzin Youth Organization of Burma here today.

The delegation led by U sen Win, chairman of the Lanzin Youth Central Organizing Committee, arrived here June 22 at the invitation of the Central Committee of the Chinese Communist Youth League.

Zhang Tuobin Meets, Hosts Kiribati Minister
OW2606134088 Beijing XINHUA in English
1213 GMT 26 Jun 88

[Text] Beijing, June 26 (XINHUA)—Chinese Minister Zheng Tuobin of foreign economic relations and trade met and feted Raion Bataroma, minister of trade, industry and labor of the Republic of Kiribati, and his party here this evening.

The guests are scheduled to leave for Shanghai tomorrow.

Chinese Garden Birthday Gift to Thai King
OW2506125688 Beijing XINHUA in English
1414 GMT 24 Jun 88

[Text] Hangzhou, June 24 (XINHUA)—The prefabricated components of a "Chinese garden"—a birthday present for the King of Thailand from the Chinese Government—have been completed and will be shipped to Bangkok at the end of this month, XINHUA learned today.

Covering 1,200 sq m, the garden will add the flavor of Chinese architecture to the king's imperial gardens, which comprise representative gardens from other countries.

The "Chinese garden" will be assembled there by the end of October and will be presented to the King of Thailand on his birthday, December 5.

Near East & South Asia

Pakistan's Foreign Minister Begins Visit

Leaves Islamabad

OW2606091788 Beijing XINHUA in English
0645 GMT 26 Jun 88

[Text] Islamabad, June 26 (XINHUA)—Pakistan Foreign Minister Sahabzada Yaqub Khan left here today for a visit to China.

He is expected to brief Chinese leaders on the latest developments in Pakistan and make arrangements for President Mohammad Ziaul Haq's visit to China.

Ziaul's China visit was scheduled for last May 30 but postponed following the dissolution of the National Assembly and the dismissal of the federal cabinet by Ziaul on May 29.

Yaqub Khan is also expected to exchange views with his Chinese counterpart Qian Qichen on regional and international situation as well as bilateral relations.

Yaqub Khan resigned his position as foreign minister last year on personal grounds. He was again appointed foreign minister in the newly formed caretaker cabinet.

Talking to newsmen at the Islamabad airport upon departure, he said China as an exemplary friend has always supported Pakistan in crisis and there should be no surprise that "my first visit abroad since the assumption of office as foreign minister is to China".

"Pakistan's relations with China forms a focal point in our foreign policy," he added.

Hosted by Qian Qichen

OW2606153488 Beijing XINHUA in English
1419 GMT 26 Jun 88

[Text] Beijing, June 26 (XINHUA)—Chinese Foreign Minister Qian Qichen said here today that it is China's firm policy to further the friendly ties with Pakistan.

At a banquet he held in honor of the visiting Sahabzada Yaqub Khan, Pakistani foreign minister, here this evening, Qian said that China is ready to join the government and people of Pakistan in an effort to push the amicable bilateral ties to a new high.

Qian said that the current visit of Yaqub Khan, soon after reassuming the office of foreign minister, has provided the two sides with an opportunity to exchange views on current international issues, which is of significance to further mutual understanding and cooperation.

The visit also demonstrates the friendly sentiments cherished by President Ziaul Haq, the government of Pakistan and Yaqub Khan toward the Chinese people and their high regard to Sino-Pakistan friendship, Qian said.

Pakistan adheres to a foreign policy of peace, independence and non-alignment, upholds justice and is playing an increasingly important role in international affairs.

He said that Pakistan has won wide acclaim in the international community by making unremitting efforts in seeking a political solution to the Afghan issue and promoting regional peace and stability.

"China, like Pakistan, hopes to see an early and complete settlement of the Afghan issue," Qian said. "We hope the soviet Union would earnestly implement the Geneva accords, withdraw its troops from Afghanistan as scheduled and restore on an early date the status of Afghanistan as a peaceful, neutral and non-aligned state and let the Afghan people decide their own future without outside interference."

He said that China will, as always, continue to support Pakistan in its endeavor to seek a fair and reasonable solution to the Afghan issue.

Yaqub Khan said that Pakistan and China enjoy an exceptional relationship which has stood the test of time, adding that based on the five principles of peaceful co-existence, the bilateral relations are characterised by mutual respect and trust.

"Pakistan's principled stance on Afghanistan came at a critical moment in world history. For eight long years Pakistan has remained steadfast in its commitment of support for a just cause," he said.

At the same time, he said, the invaluable support of China, the United States and many other friendly countries, as well as international organizations, in particular the United Nations, has been crucial, he said.

Although the withdrawal of Soviet troops from Afghanistan has commenced, the return of the Afghan refugees has yet to begin. It must await the emergence of peaceful conditions in Afghanistan which is only possible after the establishment of a broad-based Afghan government acceptable to the majority of the Afghan people, he said.

He said that this process needs full support from all the well wishers of Afghan people, adding that the destiny of the Afghan people must be decided by themselves alone.

Pakistan is scrupulously abiding by the commitments under the Geneva accords which include a prescribed procedure for dealing with alleged violations, he said.

"We have been following that procedure while extending full cooperation to UNGOMAP (United Nations Good Offices Mission in Afghanistan and Pakistan)," he said. "We earnestly hope that withdrawal of the Soviet troops will be completed in conformity with the Geneva accords."

He said he hopes to exchange views with Qian and other Chinese leaders on the issue of Kampuchea and the Middle East during his visit.

Yaqub Khan arrived here this afternoon on a goodwill visit to China at the invitation of Qian Qichen.

Pakistan Claims No Soviet Prisoners of War
OW2506081688 Beijing XINHUA in English
0720 GMT 25 Jun 88

[Text] Islamabad, June 25 (XINHUA)—Pakistan has told the Soviet Union that it has no information of the presence of Soviet prisoners of war (POW) in Pakistan, according to official sources here today.

In reply to a request of chairman of the Alliance of Red Cross and Red Crescent Societies of the USSR Dr. Dmitriy D. Venediktov, Pakistan's chairman of Red Crescent Society Syed Wajid Ali said that after receiving

the Soviet request to find out Soviet servicemen captured in Afghanistan, "We have tried our best to find out the whereabouts of Soviet prisoners of war and in spite of our efforts we have not yet been able to find any information of their presence in Pakistan."

"This has been communicated to the chairman by telex as well as to Mr. Perov, charge d'affaires of the Soviet Embassy in Islamabad personally," he added.

The Soviet Union is continuously building pressure against Pakistan for the release of their soldiers. They alleged that these Soviet prisoners are being kept at armed Afghan opposition camps in Pakistan territory. Pakistan has assured the Soviets of its help in finding out and releasing their soldiers.

According to Soviet leader M. S. Gorbachev, there are 311 Soviet soldiers detained by Afghan mujahidin (holy-war fighters).

An Afghan resistance leader has said that Soviet prisoners captured in the Afghan war will be released when all the Soviet troops complete their withdrawal from Afghanistan, but he declined to give any details about the total number of Soviet prisoners and their whereabouts.

Sub-Saharan Africa

Zambian Military Delegation Visits Beijing

Meets Vice President

OW2506123688 Beijing XINHUA in English
0930 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)—Chinese Vice-President Wang Zhen met here today with a military delegation from Zambia led by Alex Kaunda Shapi, secretary of state for defense and security.

Wang said that the friendly relations between China and Zambia built on the basis of mutual trust and cooperation have a broad and splendid future for development.

He expressed his conviction that the China visit by the delegation would promote mutual understanding and friendship between the peoples and armies of the two countries.

Wang briefed the delegation on China's situation in recent years. He asked Shapi to convey best regards of Chinese President Yang Shangkun and himself to Zambian President Kenneth David Kaunda.

Qin Jiwei, Chinese state councillor and minister of defense, was present at the meeting.

After their arrival here on June 20, the delegation has toured the cities of Nanjing and Hangzhou in east China.

Presents Letters to Li Peng

OW2506122188 Beijing XINHUA in English
1116 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)—Chinese Premier Li Peng met a Zambian military delegation led by Alex Kaunda Shapi, secretary of state for defense and security, here this afternoon.

Shapi presented to Li Peng Zambian President Kenneth David Kaunda's letters to Chinese Communist Party General Secretary Zhao Ziyang, Chairman of the Central Military Commission Deng Xiaoping and Li Peng.

Li and Shapi recalled President Kaunda's China visit earlier this year and both spoke highly of the friendship between the two countries and peoples.

Shapi briefed Li on the situation in southern Africa. Li said that the Chinese Government will, as always, support the southern African people's struggle against South Africa's racism.

Qin Jiwei, state councillor and defense minister, was present on the occasion.

More Reportage on Visit of Ethiopian President

Holds 'Cooperation Talks'

LD2306214388 Addis Ababa in English to
Neighboring Countries 1530 GMT 23 Jun 88

[Text] The first Ethio-Chinese economic, scientific, and technical cooperation talks were held in Beijing during 21st-23d June in connection with the general secretary's official visit to that country.

It was reported that the meeting discussed bilateral relations and cooperation in the economic, agricultural, industrial, trade, and cultural fields as well as the results obtained so far.

(?They later were) described as satisfactory.

A protocol agreement on the outcome of the meeting was signed by the joint commission of the two countries in Beijing this morning. The agreement was signed in the presence of President Mengistu Haile Mariam and Chinese Prime Minister Li Peng by Comrade Aklilu Afe-work, minister and head of Foreign Economic Relations Committee, and Comrade Zheng Tuobin, minister of foreign economic relations of the PRC on behalf of the respective countries.

The agreement on cultural and sports cooperation was signed by Comrade Tesfaye Shafo, vice minister of culture and sports affairs, and by Comrade (?Ying Ruocheng) vice minister of culture of the PRC.

Tours Production Centers

LD2306215088 Addis Ababa in English to
Neighboring Countries 1530 GMT 23 Jun 88

[Text] President Mengistu Haile Mariam today toured various production centers great industrial city of Shanghai on the 4th day of his official visit to the PRC. [sentence as heard]

Comrade Mengistu Haile Mariam, general secretary of the Central Committee of WPE [Workers Party of Ethiopia], president of the PDRE [People's Democratic Republic of Ethiopia], and commander in chief of the Revolutionary Armed Forces has been holding talks with the country's top leadership on various issues of mutual interest. [He has] also visited manufacturing firms and production facilities since his arrival last Monday.

Visits Hangzhou

OW2506100288 Hangzhou Zhejiang Provincial
Service in Mandarin 0900 GMT 24 Jun 88

[Text] Ethiopian President Mengistu arrived in Hangzhou from Shenyang by special plane on the afternoon of 24 June. Zhejiang Governor Shen Zulun, Vice Governor Xu Xingguan, Hangzhou City Mayor Zhong Boxi and Director of the Provincial Foreign Affairs Office Zhao Jiafu warmly welcomed the Ethiopian guests at the

airport. A Young Pioneer presented flowers to President Mengistu. Other Ethiopian guests accompanying President Mengistu on the China visit and Zeng Xianlin, chairman of the PRC reception committee and Ministry of Light Industry, also arrived in Hangzhou by the same plane.

In the afternoon, the Ethiopian guests visited the Dujinsheng Silk Textile Mill and toured the West Lake.

Attends Dinner in Zhejiang

OW2506142888 Beijing XINHUA in English
1341 GMT 24 Jun 88

[Text] Hangzhou, June 24 (XINHUA)—Ethiopian President Mengistu Haile Mariam flew into east China's lake city of Hangzhou from northeast China's industrial city of Shenyang this afternoon in the company of Chinese Minister of Light Industry Zeng Xianlin.

President Mengistu and his party were honoured this evening at a dinner hosted by Governor Shen Zulun of Zhejiang Province.

Proposing a toast, Shen hailed Mengistu's current visit as an illustration of the steady growth of the ties between China and Ethiopia.

In reply, Mengistu said that he was happy to see China's ongoing reforms and opening to the outside world and her successes under the new policies. What he would see during the tour would be useful in boosting Ethiopia's agriculture, he added.

Earlier today President Mengistu visited a silk weaving mill in Hangzhou and toured the West Lake. He also heard a briefing on the economic reform and farm production in Zhejiang Province.

Signs Cooperation Agreement

EA2406200888 Addis Ababa Domestic Service
in Amharic 1700 GMT 24 Jun 88

[Text] We have a news item which we received this evening. A cooperation agreement was signed today between the WPE [Workers Party of Ethiopia] and the CPC. The agreement was signed in the presence of Comrade Mengistu Haile Mariam secretary general of the WPE Central Committee, PDRE [People's Democratic Republic of Ethiopia] president, and commander in chief of the Revolutionary Armed Forces, and Comrade Zhao Ziyang, CPC general secretary.

The agreement was signed by Comrade Ashagre Yigletu, member and secretary of the WPE Central Committee, and Comrade (?Yang Yefei), member and secretary of the CPC Central Committee. Continuing his official visit to the PRC, Comrade President Mengistu today

arrived in Hangzhou, Zhejiang Province and was accorded a warm welcome. It was learned that he toured textile and other factories. His visit to the province continues tomorrow.

Receives Briefing on Shanghai

OW2606211788 Beijing XINHUA in English
1345 GMT 25 Jun 88

[Text] Shanghai, June 25 (XINHUA)—Soon after his arrival in Shanghai this evening, Ethiopian President Mengistu Haile Mariam heard a briefing on the deep-going economic reforms in this largest industrial and commercial city of China.

Mayor Zhu Rongji, who gave the briefing, hosted a dinner in honor of the president and his party.

The visitors arrived in Shanghai from Hangzhou this afternoon in the company of Chinese minister of Light Industry Zeng Xianlin.

Returns to Addis Ababa

OW2706015188 Beijing XINHUA in English
2359 GMT 26 Jun 88

[Text] Addis Ababa, June 26 (XINHUA)—Ethiopian President Mengistu Haile-Mariam returned here today after a week-long visit to China.

The president was welcomed at the airport here by top Ethiopian leaders, including Prime Minister Fikre-Selassie Wogderess and Vice-President Fisseha Desta, and diplomatic officials of the Chinese Embassy here.

During the visit, Mr. Mengistu met with General Secretary of the Chinese Communist Party Central Committee Zhao Ziyang, Chairman of the Military Commission of the party Central Committee Deng Xiaoping, and Prime Minister Li Peng.

He also signed an agreement on cooperation between the Chinese Communist Party and the Ethiopian Workers' Party, of which Mr. Mengistu is the general secretary, and two other agreements on the cooperation in culture and sports, and on economy, science and technology.

RSA Condemned for 'Encroaching Upon' Botswana

OW2506124188 Beijing XINHUA in English
1223 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)—Chinese Foreign Ministry spokesman said here today that the Chinese Government and people sternly condemn the South African authorities for once again encroaching upon the territory and sovereignty of Botswana and wantonly provoking a sanguinary incident and creating tensions in southern Africa.

The spokesman made the remark when asked to comment on the South African commandos attack on the Botswana policemen on June 20.

'News Analysis' Views Namibian-Angolan Talks
OW2706012588 Beijing XINHUA in English
0056 GMT 25 Jun 88

[News Analysis: Clouds Overshadow Cairo Four-Party Talks (by Yu Yuanjiang, Zhu Jiefei)—XINHUA headline]

[Text] Cairo, June 24 (XINHUA)—Clouds are shrouding the second round of the four-party parley on Namibian independence and Angolan peace, which opened here today, despite world-wide wish for a step-forward towards rapprochement.

Before the opening of the talks, Pik Botha, South African foreign minister and head of the South African delegation told reporters that South Africa still demands a Cuban troop withdrawal from Angola as a precondition for Namibian independence.

According to the schedule, the opening ceremony was delayed for four hours. This was said because of the late arrival of the Cuban delegation last night. But it seemed more likely because of the differences among the parties on the formula and agenda of the conference. Only after intensive U.S. consultations separately with the South African, Cuban and Angolan delegations, did the talks start at 14:30 local summer time (11:30 GMT).

After one and a half hours of meeting at the u-shaped table, however, the U.S. and South African delegations walked out of the conference with gloomy faces. They refused to make any comment. About half an hour later, the talks resumed for another hour. None of the four sides gave any news briefings.

A source close to the South African delegation disclosed that Pik Botha has come with "a new proposal", which is said in fact nothing but an answer, or a counterattack, to the proposal of the Angolan side during the first round of the talks in London early last month.

The Angolan proposal demanded an unconditional withdrawal of South African troops from southern Angola, independence for Namibia from South African occupation, and halt of U.S. and South African financial and military support to the UNITA, an anti-government movement in Angola.

The source said that Pretoria has cited the recent buildup of about 17,000 Cuban troops in southern Angola as the reason for its strong reaction against the Angolan side. The South African delegation, the source said, came to the talks just for finding out why Cuba and Angola were doing so while they have started peace talks.

The source said that South Africa still adheres to its stance of linking the independence of Namibia and its troop withdrawal from southern Angola with the Cuban troop withdrawal from Angola. He added that South Africa still refuses to make its halt of support to the UNITA a precondition for a Cuban troop withdrawal from Angola, and so did the United States.

Meanwhile, officials from the Angolan and Cuban delegations told reporters that they will not make any new proposal at the conference, indicating that they will insist on their previous stance. They are also unhappy with the recent U.S. acceptance of the visit by UNITA leader Jonas Savimbi.

Observers here found that the four parties now differ too much to reach any agreement at the two-day Cairo conference, which is scheduled to end Saturday evening, but probably to last one more day. They said that no indication so far could justify any expectation of significant breakthrough in the talks, either in the withdrawals of Cuban and South African troops from Angola or in the grant of independence to Namibia, the key aspects of the Southern African issue.

West Europe

Foreign Ministers Discuss Sino-UK Relations

OW2406064888 Beijing XINHUA in English
1430 GMT 23 Jun 88

[Text] Beijing, June 23 (XINHUA)—Chinese Vice Foreign Minister Zhou Nan discussed international issues of common concern and bilateral relations with visiting British Secretary of State for Foreign and Commonwealth Affairs Lord Glenarthur [title as received] here today.

Chinese Foreign Minister Qian Qichen met with Lord Glenarthur. They expressed satisfaction with the development of Sino-British relations. They recalled the close cooperation on the Hong Kong issue and agreed to continue such close cooperation [words indistinct] thorough implementation of the Sino-British joint declaration on Hong Kong and guarantee the prosperity and stability in Hong Kong.

The British visitor arrived June 21 as Zhou Nan's guest.

Sinologists Study Reform at London Conference

OW2406130388 Beijing XINHUA in English
0021 GMT 24 Jun 88

[Text] London, June 23 (XINHUA)—Over 100 China experts from Europe and other areas gathered in London today for a 2-day conference on China's reform.

The conference, attended by China experts from Britain, France, Switzerland, the United States, Pakistan, and other countries, was sponsored by Britain's Royal Institute of International Affairs, the 47 Group of British Traders with China, and the Euro-Asia Center.

Former British Prime Minister Edward Heath, who came to the conference as a guest speaker, called on the Western countries to increase trade with China, saying that discussions on China should be followed by actions.

"Action is desperately needed as far as this country is concerned, particularly by its businessmen and by the academics," he stressed.

Sir Richard Evans, former British ambassador to China, said in his speech that China has a considerable weight in the world for its size and population, its economic strength as well as its political stability and a modern leadership.

He said China could achieve what it wants only in an international environment of peace, and China wants to see a world less dangerous.

Professor Richard Baum of the University of California dwelt upon the topic of Chinese leadership. He cited Western analysts as saying that changes in China's

leadership in the past few years was "the largest peaceful turnover in the modern history of China and perhaps the most massive peaceful transformation in human history."

He expressed his confidence in China's reforms and said they are not easily to be derailed because there is enough momentum behind.

Chinese Ambassador Ji Chaozhu said that so long as China persists in reform and the open policy and its independent foreign policy of peace, it "will make faster progress, and have even closer friendly and cooperative relations with other countries."

Shanghai Subway Agreement Reached With FRG

LD2406195888 Hamburg DPA in German 1020 GMT
24 Jun 88

[Text] Berlin/Shanghai (DPA)—Berlin's participation in the preparations to build a new subway in Shanghai costing billions of marks was agreed upon today in the largest industrial city in the PRC. Traffic experts from Berlin and China will prepare a study of the technical and transport possibilities in the city of 12 million. The Berlin Senate is providing some DM800,000 for it.

Before the signing of the agreement, and during the visit to the PRC by governing mayor Eberhard Diepgen (CDU) [Christian Democratic Union], there was some wrangling at the political level about the wording. The Chinese, apparently at the behest of East Berlin, could not accept reference in the agreement to the governmental agreement between the FRG and the PRC from 1978. In front of journalists in Shanghai, Diepgen deemed it a "great success" that the agreement on cooperation was arrived at "in the spirit" of the governmental agreement. By these means, the inclusion of Berlin and its representation abroad by the FRG was ensured. The agreement was the "first step" and a beginning to the cooperation between Berlin and Shanghai.

In addition to British firms, a German consortium of firms, including concerns from Berlin, is competing for the contract to build the subway. Bonn has agreed to provide capital aid for the project to the tune of DM260 million.

'Roundup' Views Upcoming EEC Summit in FRG

OW2506143888 Beijing XINHUA in English
0740 GMT 25 Jun 88

["Round-Up: A new Starting Point for European Construction—A outlook For the EEC Summit—(by Le Zhude)"]—XINHUA headline]

[Text] Brussels, June 25 (XINHUA)—The European Community has stepped up its integration process since the adoption of the "Delors plan" in February, and the EC summit in Hanover, Federal Germany, early next

week is expected to come up with a new program of action to further accelerate the formation of the planned single market in Western Europe.

The past six months, especially the past month, saw the Community make significant strides towards the free interflow of personnel, commodities, capital and services in preparation for the single market.

Apart from the "Delors plan" which is seen as a financial guarantee for the single market, the directive adopted by the Community in mid-June allowing the free interflow of capital will lay the groundwork for the formation of an integrated financial market among member countries. In the past week, the EEC Council of Ministers also approved two directives on the liberalization of road transportation and mutual recognition of school records.

The deepening of economic integration has highlighted the need to set up a monetary union. Of late, France and Federal Germany have put forward their ideas about a "central bank of Europe," but fell short of proposing a scheme acceptable to other community members. Federal German Foreign Minister Hans-Dietrich Genscher said recently that the Hanover summit "should lay the basis for enlarged monetary cooperation in preparation for the formation of a monetary union." European Commission President Jacques Delors also expressed a similar wish.

A vital goal for the community, monetary union cannot however be created overnight since it concerns the economic sovereignty of its members. But its inclusion in the Hanover summit's agenda signifies greater monetary cooperation among member nations. Of late, they have been calling for the entry of the British pound in the European monetary system and urging Italy to narrow the floating range of the lira.

In answer to labour's call for the protection of its social benefits once the single market is formed, Delors described their demands as "justified," and promised guarantees for their work as well as efforts to improve the economic conditions of less-developed regions. He said the issue will be listed as a focal point in the Community's agenda during Greece's tenure in the EC president's chair in the latter half of this year.

The Community's external relations are marked by the successful establishment of official links with the Comecon, the East European counterpart of the EC, thus opening the way towards establishing diplomatic, and then economic, relations with east European nations. Greek Government leaders have expressed their intention of bringing relations with the Comecon to a "new stage" during its presidency.

Mindful of the misgivings on the part of countries outside the Community about the single market, Community leaders have repeatedly made it clear that the single market, with 320 million consumers, will not be a

protectionist, exclusive bloc. Rather, it will offer good "chances" for those outside the EC. Delors stressed at the same time that the Community's external policy should be further harmonized among its member countries to prevent foreign investors from benefitting from it first.

He also said that the single market, once formed, must be entitled to "equal rights" with big powers such as the United States and Japan.

It looks as if the upcoming EC summit will not spend as much time as before on pending issues left over by the council of ministers. Federal Germany, determined to take decisive steps toward the formation of the single market during its presidency, has expressed its desire for specific guidelines to be worked out at the upcoming summit. Delors also said he shared the hope of Federal German Chancellor Helmut Kohl that the summit will return to its original objective, that is, evaluating the situation and pressing ahead with European construction.

FRG Envoy Interviewed on Eve of EC Summit
OW2506122588 Beijing XINHUA in English
0803 GMT 25 Jun 88

[Text] Brussels, June 24 (XINHUA)—Werner Ungerer, Federal German ambassador to the European Community in Brussels, is hopeful that the upcoming EC summit will spur the 12-member group to take bigger steps toward a European economic integration.

Heads of state and government of the 12 EC countries will meet in Hanover, Federal Germany, on June 27 and 28. The summit will be chaired by Federal German Chancellor Helmut Kohl and mark the end of Federal Germany's six-month term in the EC presidential seat.

In an interview with XINHUA on the eve of the EC summit, Ambassador Ungerer said that Kohl, as chairman of the summit, will sum up EC's achievements in the establishment of a "European single market".

The EC leaders, he said, will discuss a "monetary union", social problems and a joint foreign policy in the community.

The Community considers monetary union as an indispensable task in the realization of European economic integration, he said.

Ungerer maintained that the EC monetary union can not be set up before the creation of the single market in 1992, but a stable monetary system is needed to coordinate the EC nations' financial and economic policies.

Social policies between EC members are not coordinated, he said. EC workers and less-developed nations have urged the Community to make greater efforts to promote social development.

Commenting on world attitudes toward the single market, Ungerer told XINHUA that the 1992 creation of the planned single integrated market of Western Europe will be beneficial to international trade, as long as it does not take on a protectionist nature.

Ungerer said Federal Germany wants to "open as widely as possible" the single market.

The establishment of European economic integration faces many obstacles, he said, because all EC governments, to some extent, stick to conventions and lack "flexibility". Therefore, it is not easy for them to reach a consensus on many major issues, while enterprises do not want to give up the "privileges" gained from protectionist government measures.

Such enterprises, he added, cannot foresee the benefits to be gained from an open market, so they exert pressures on their respective governments.

During Federal Germany's EC presidency in the first half of this year, he said the EC made major achievements, in particular in steps taken towards the goal of establishing the European single market by the end of 1992.

Sino, French Scholars Discuss Bilateral Ties
OW2506123588 Beijing XINHUA in English
1154 GMT 24 Jun 88

[Text] Beijing, June 24 (XINHUA)—Some two dozen Chinese and French experts and scholars gathered here today to discuss bilateral relations, the economic development efforts of the two countries and their status in international affairs.

The three-day symposium is being sponsored by the China Academy of Social Sciences. The French delegation is led by Michel Gentot, member of the State

Council of France, former administrator of the National Foundation for Political Sciences and former director of the Political Studies Institute in Paris.

The 12 theses to be discussed at the symposium touch on the Chinese political and economic reform, social and political changes in France in the past few decades, and relations between China, Japan, France and Federal Germany.

Zhao Fusan, vice-president of the Chinese Academy of Social Sciences, told the opening ceremony that China and France have much in common, but the academic exchanges carried out before mainly centered on economics, whereas this symposium is a comprehensive one.

Children's Film Wins International Award
OW2406150488 Beijing XINHUA in English
0149 GMT 24 Jun 88

[Text] Paris, June 23 (XINHUA)—The Chinese movie "King of Children," a tragedy about a group of Chinese youth sent to rural areas for "reeducation" during the Cultural Revolution, was awarded a prize here Thursday by the International Council of Cinema and Television (CICT).

At the awards ceremony held at the Headquarters of the UN Educational, Scientific and Cultural Organization (UNESCO), Enrico Fulchignoni, the president of the CICT, said the movie was unanimously chosen by a jury of experts at the 41st International Film Festival in Cannes last month.

The film, directed by Chen Kaige, a young Chinese artist now living in New York, is "about the dark time of the Cultural Revolution in the wide and great countryside of China, the film is a true educational poem for the youth. It is against all sorts of dogmatism, and in favor of more initiative, flexibility, and creative invention," Fulchignoni said.

The jury was composed of film experts from Italy, Lebanon, Algeria, Switzerland, France, Federal Germany, Egypt, the Soviet Union, Tunisia, and Canada.

East Europe

CPPCC's Zhou's Speech at Berlin Conference *AU2406195688 East Berlin NEUES DEUTSCHLAND in German 21 Jun 88 pp 5-6*

[Speech by Zhou Peiyuan, vice chairman of the CPPCC and president of the Chinese People's Association for Peace and Disarmament, delivered at the International Meeting on Nuclear-Free Zones in Berlin on 20 June]

[Text] Esteemed Comrade Chairman Honecker,

Dear Friends and Colleagues,

It is a great honor for me to participate as a representative of the Chinese People's Association for Peace and Disarmament in the International Meeting for Nuclear-Free Zones here in Berlin. It is a pleasure for me to have the opportunity of a free exchange of opinions with friends from all countries on questions of preserving world peace. At the same time, I want to cordially thank the GDR Government and people for their hospitality and their contribution to preparing this meeting.

Preserving world peace is the most important and urgent task which mankind faces today. As a physicist, I know the enormous destructive power of today's nuclear weapons and I know about the inferno that a nuclear war would bring to our civilization. For this reason, the fate and future of the whole mankind are closely linked with preventing a nuclear war and securing world peace.

Has the international situation changed to the advantage of peace and detente in the past years? We are of the opinion that today a certain detente is actually appearing in the international situation. After years of setbacks, the United States and the Soviet Union have officially signed the INF treaty. In accordance with the definitions of the Geneva agreement on Afghanistan, the Soviet Union has started to withdraw its troops. Thus, conditions for reestablishing an independent, neutral, and nonaligned Afghanistan have been created. Also in Europe detente has progressed; the contacts and the dialogue between East and West Europe have increased. Although the leading representatives of the United States and the Soviet Union were not able to reach an agreement on a 50-percent reduction of strategic offensive weapons—this was a main item on the agenda—we believe that negotiations are better than confrontation, for they help to reduce tensions in the world. We hope that this dialogue retains its dynamics and the United States and the Soviet Union further advance on the path of reducing their strategic nuclear weapons, as well as all other types of nuclear weapons.

On the other hand, we also have to state realistically that world peace continues to be very unstable. The arms race of the superpowers continues. Hegemony still exists. Regional conflicts and local wars that started long ago continue. All these are factors that seriously threaten

world peace. In order to achieve a real detente of the international situation, a long and complicated road, on which there could also be setbacks, still has to be traveled.

At present an important change is taking place in the arms race of the superpowers. The modernization of nuclear weapons has accelerated; that is, their quantity has been reduced but their quality increased, with the cosmos and other sectors of high technologies being included. In view of these new trends in development, it is only natural that the people demand from the United States and the Soviet Union, the states that possess most of the nuclear weapons and the most modern ones, that they accept their special responsibility, terminate the arms race, and take the first step toward banning nuclear tests, halting the production and deployment of all types of nuclear weapons, and drastically reducing or eliminating all nuclear weapons in and outside their countries. Our standpoint, which we have shortly summarized in the demand for "three stops and a reduction," constitutes an inseparable unit, and both sides of this demand have to be regarded as closely linked. Thus, not only "drastic reductions" are demanded from the two superpowers but also the adherence to the "three stops." The 50-percent reduction, on which the United States and the Soviet Union are presently negotiating, comprises only part of their strategic offensive weapons. Of course, such a reduction has to be welcomed, but even if such an agreement is concluded and implemented, it does not mean a comprehensive reduction of the remaining U.S. and Soviet nuclear arsenals and it is still possible to destroy the world several times over. Therefore, we hope that both sides will take even greater steps in this field. After the United States and the Soviet Union actually will have implemented the "three stops and one reduction," favorable conditions will exist for convening an international conference on nuclear disarmament, with the broad participation of all nuclear arms states, at which the general ban and the complete destruction of all nuclear weapons can be discussed.

At present, many states are calling for the creation of nuclear-weapon-free zones. In this, the justified desire of the respective regions and countries for the prevention of the danger of a nuclear war and the guarantee of peace and security is reflected. China respects all agreements to this effect which have been achieved through consultations between the respective countries of those regions. China has committed itself not to use nuclear weapons against countries or regions that do not possess nuclear weapons and to renounce the first use of nuclear weapons. It has also signed and ratified the supplementary protocol two to the treaty banning nuclear weapons in Latin America. Moreover, China signed the protocols two and three to the treaty on a nuclear-free zone in the South Pacific.

We are of the opinion that the struggle for nuclear disarmament must be accompanied by disarmament efforts in the sector of conventional weapons. The arsenal of the two big military alliances, which face each

other in Europe, comprises above all conventional weapons. Nobody can guarantee that a large-scale conventional war does not escalate into a nuclear war. Without question, the United States and the Soviet Union have to take the first step in the sector of conventional weapons and implement major reductions. Furthermore, we demand the general ban and the complete destruction of space weapons, chemical and biological weapons, as well as other means of mass destruction.

Europe was so unlucky as to be twice the starting point of a world war. If a third world war should break out, this would mean a catastrophe of unimaginable dimensions for the peoples of Europe. But in Europe major changes have taken place after the Second World War. Europe of today—East and West Europe—has become a force that can ban the danger of war and defend world peace. We understand very well the strong wish of the European peoples to prevent war, to preserve peace, and to bring about disarmament. Here I want to especially mention the GDR people who, under the leadership of the SED [Socialist Unity Party of Germany] and Comrade Erich Honecker, have submitted numerous useful proposals and initiatives and have taken great efforts to advance disarmament, reduce the tensions in the world, preserve peace in Europe and the world, and prevent that war from ever starting again from German soil. We are in complete agreement with all these efforts and initiatives.

China makes its contribution to peace and disarmament with concrete actions. Two years ago, we reduced the strength of our armed forces by one million men. The share of defense expenditures in the budget was reduced from 17.5 percent in 1979 to 8 percent this year. The national defense costs per capita of the population are not more than five U.S. dollars. A considerable number of the armament plants were switched over to civil production.

Securing world peace is a very complicated task which requires the broad and active participation of the peoples of the whole world. History has proven that the peoples can really play an important part in preventing a nuclear war and preserving world peace. The unprecedented awakening and the determined struggle of the peoples of all countries have decisively contributed to preserving world peace since the end of World War II. Today we can state with joy that the peoples of the whole world, among them the peoples of the Soviet Union and the United States, want peace and reject war, above all a nuclear war. This is the real "potential of deterrence." Many countries of Asia, Africa, and Latin America, as well as other small and medium-sized countries, emphatically advocate disarmament and peace in the world. On account of their constantly growing influence, they have become an important force in the struggle against war and for peace. We believe that all countries, whether they are large or small, strong or weak in the military sector, whether they possess nuclear arms or not, have not only equal rights but can also contribute to world peace.

Peace and disarmament must not be the monopoly of one or two superpowers, and, what is even more important, the interests of other countries must not be impaired.

There is a close connection between world peace and the security of all countries. Therefore, any violation of the independence and sovereignty of a country constitutes a threat to world peace. We are against any form of interference in the internal affairs of another country and against any violation of its sovereignty. The withdrawal of foreign troops from Afghanistan has been decided, and now it is also time to withdraw all foreign troops from Cambodia. The South African and Israeli troops, too, must leave the territories of other countries occupied by them. Only in this way can world peace be promoted.

Peace and development are two basic questions in the world of today. They are inseparably linked. Peace is the prerequisite for development. For the large number of developing countries development is as important as peace. If these countries grow stronger and develop, they will play an even greater role in preserving world peace and make an even greater contribution to it.

The Chinese people are peace-loving people. At present, we accelerate and deepen the reform process and increasingly open our country to the world. We are firmly determined to overcome poverty and backwardness through the efforts of several generations and make China a flourishing and modern socialist state which distinguishes itself by a highly developed democracy and a high cultural standard. Therefore, our state policy is consistently aimed at creating a permanently peaceful international environment. China will unswervingly continue its independent and autonomous peaceful foreign policy. Our people want to cooperate with all peoples of the world in preserving peace, reducing tensions in the world, and achieving real disarmament. Mankind has created nuclear weapons and it must now develop the ability and the necessary farsightedness to eliminate them. There is hope for peace in the world and a bright future. We wish this important meeting a successful course.

Thank you.

CSSR Group Honors Women's Federation Official
OW2406121988 Beijing XINHUA in English
1145 GMT 24 Jun 88

[Text] Beijing, June 24 (XINHUA)—The Czechoslovak Union of Women Today awarded Kang Keqing, president of the All-China Women's Federation, a medal for her "outstanding contributions to the international women's movement."

Czechoslovak Ambassador to China Zdenko Cheben presented the medal to Kang on behalf of the Union President Marie Kabrhelovak at a ceremony at the embassy.

Kang, 77, who has been the Chinese federation's president for almost 20 years, called the medal "a symbol of the friendship between the women and women's organizations of the two countries".

"I will continue to work for this friendship and world peace," she said.

Army Musicians 'Warmly Applauded' in Poland
OW2506140088 Beijing XINHUA in English
0530 GMT 25 Jun 88

[Text] Warsaw, June 24 (XINHUA)—The ensemble of the General Political Department of the Chinese People's Liberation Army was warmly applauded tonight by a 3,000-strong audience at the Science and Culture Palace in central Warsaw, where it gave its farewell performance to the Polish people and also the last performance of its East European tour.

The Chinese Army ensemble altogether gave 24 performances during its tour of Romania, Hungary, Democratic Germany and Poland since May 12.

It gave 15 song and dance and musical instrument items tonight. The dance "petrel" and the Polish songs "March of the First Division," "Warsaw Revolution" and "The Little Girl Has Gone" sung by the Chinese singers aroused strong repercussion from the audience.

The Chinese Army ensemble led by deputy Director Zhou Keyu of the General Political Department of the Chinese People's Liberation Army arrived in Poland on June 14 and gave six performances here. It will soon leave for home.

XINHUA Notes Polish Official's Visit to UK
OW2506061088 Beijing XINHUA in English
2336 GMT 24 Jun 88

[Text] London, June 24 (XINHUA)—Polish Deputy Prime Minister Zdzislaw Sadowski today expressed satisfaction over his visit to Britain and described talks with British officials as "highly useful."

Speaking at a press conference at the end of his four-day visit in London, Sadowski said that he had held talks with British Foreign Secretary Sir Geoffrey Howe and Trade and Industry Secretary Lord Young.

Their talks covered a wide range of issues including bilateral relations between Britain and Poland, he said, adding that there was much willingness on the part of the British Government to assist Poland in its endeavors for reform.

A British Foreign Office spokesman told XINHUA that Sadowski's talks with Sir Geoffrey Howe today were "friendly and constructive."

"The deputy prime minister sought Britain's understanding for Polish efforts at economic reforms and support in various international fora for a long-term debt restructuring agreement.

"The secretary of state emphasized the need for economic reform to be accompanied by political reform in order to secure the consent of the Polish people for the government economic program," he said.

Earlier this week, Sadowski said in London that the main obstacle to the Polish reforms was the country's heavy foreign debt. This is estimated at more than 39 billion U.S. dollars.

He complained that both the Paris Club of Poland's creditors and the International Monetary Fund made Warsaw's prior agreement with the other a condition for easing the country's debt burden through a long-term servicing agreement.

"This resembles a childish game," he said. "It is quite obvious that the philosophy is political in nature."

Addressing Britain's Royal Institute of International Affairs on Tuesday, the Polish deputy prime minister said that the success or failure of Poland's economic reform program could be critical for the future of perestroika (restructuring) in the Soviet Union.

"Poland is treated in the Soviet Union as a kind of pilot study," he said.

"The future of perestroika depends very much on what we are going to achieve in Poland," he pointed out. "If success is denied us, it would undermine perestroika."

Latin America & Caribbean

Brazilian Leader's Visit To 'Widen Dialogue' *OW2606201288 Beijing XINHUA in English* 0704 GMT 25 Jun 88

[Text] Brasilia, June 24 (XINHUA)—Brazilian President Jose Sarney told the congress today that he will pay a state visit to China early next month to widen "at the highest levels" the dialogue between the two nations on important international issues.

In his message to the congress, Jose Sarney said the bilateral relationship between Brazil and China has been "dense, advantageous and full of potential" since the establishment of diplomatic relations in 1974.

Sarney said Brazil and China are carrying out joint efforts to make joint launching of two remote sensory satellites in the 1990s.

"This common effort contains all possibility of becoming a catalyst of unified actions which accelerate the technological perfection of both countries," President Sarney said.

Referring to bilateral trade, President Sarney said that he will hold talks with highest ranking authorities in China to create conditions to increase exchanges between the two nations, with an emphasis on setting up incentives for private enterprises.

President Sarney said his visit to China from July 3 to 7 will provide an opportunity to widen "at the highest levels" the dialogue between the two nations about important international issues.

CPC Delegation Leaves for Brazil, Argentina *OW2506070788 Beijing XINHUA in English* 0711 GMT 24 Jun 88

[Text] Beijing, June 24 (XINHUA)—A Chinese Communist Party (CPC) delegation left here by air this morning to visit Brazil and Argentina at the invitation of the Party of the Brazilian Democratic Movement and the Radical Civic Union of Argentina.

The delegation is led by Lin Ruo, member of the CPC Central Committee and secretary of the CPC Guangdong provincial committee.

NPC Standing Committee Holds Second Session

Agenda Proposed, Agreed On

OW2506235188 Beijing XINHUA Domestic Service
in Chinese 0829 GMT 25 Jun 88

[Text] Beijing, 25 Jun (XINHUA)—The Second Session of the Seventh NPC Standing Committee opened today at the Great Hall of the People.

The session was presided over by Chairman Wan Li.

The new meeting hall for the NPC Standing Committee on the second floor has nearly twice as much space as the old one. It can accommodate more observers at the meeting and can seat more visitors.

After the session opened, Peng Chong, vice chairman and concurrently secretary general of the NPC Standing Committee, explained the draft agenda for this session. The agenda was then passed by the session.

According to the agenda, the current session will examine and discuss the Central Military Commission's proposal for examination, discussion, and approval of the "Regulations of the Central Military Commission of the People's Republic of China on Awarding Chinese People's Liberation Army Meritorious and Honorable Medals to Retired Military Cadres"; the Central Military Commission's proposal for examination, discussion, and approval of the "Regulations on the Ranks of Officers of the Chinese Liberation Army (Draft)"; the Central Military Commission's proposal for examination, discussion, approval, and recognition of the ranks of officers commissioned during 1955-1965; the proposal of the State Council and the Central Military Commission for examination and discussion of the "Regulations Governing the Service of Officers on Active Duty of the Chinese People's Liberation Army (Draft)"; and the State Council's request for examination and discussion of the preparatory work of the Hainan Province Preparatory Group for the convocation of the Hainan Provincial People's Representative Meeting. It will also hear a report by the Ministry of Finance on the state's final accounts for 1987, a report by the State Education Commission on the work regarding education, and a report by an NPC delegation on its visit to Britain. In addition, it will examine and discuss a report on the participation in the 79th meeting of the Interparliamentary Union and a visit to Guatemala, hear a proposal by the chairmanship meeting on the main points of the work of the Seventh NPC Standing Committee; hear reports on work plans by NPC special committees, and adopt personnel appointments and removals, as well as some other matters.

At today's meeting, the NPC Standing Committee members heard the suggestions made by the Central Military Commission on the revision of the "Regulations of the Central Military Commission of the People's Republic of China on Awarding the Chinese People's Liberation

Army Meritorious and Honorable Medals to Retired Military Cadres." Earlier, the NPC Law Committee had examined and discussed these suggestions and proposed that the NPC Standing Committee examine, discuss, and approve the revised regulations.

At the meeting, Xiang Chunyi, vice chairman of the NPC Law Committee, delivered a report on the results of the committee's examination and discussion of the "Regulations on the Ranks of Officers of the Chinese People's Liberation Army (Draft)." The report stated that the enactment of the regulations governing officers' ranks and the introduction of the officer rank system will facilitate the command and management of the Armed Forces, enhance the officers' sense of responsibility and honor, and meet the requirements for the revolutionization, modernization, and regularization of our Army. The Law Committee basically agreed to the draft regulations, but also made some suggestions for the revision of the regulations.

In addition, the meeting examined and discussed the "Decision of the Standing Committee of the National People's Congress on Recognition of the Ranks of Officers Commissioned Between 1955 and 1965 (Draft)," the "Request of the State Council for Examination and Discussion of the Preparatory Work of the Hainan Province Preparatory Group for the Convocation of the Hainan Provincial People's Representative Meeting," and the "Decision of the Standing Committee of the National People's Congress on the Exercise of Functions and Powers by the Hainan Provincial People's Representative Meeting on behalf of the Hainan Provincial People's Congress (Draft)."

At the request of the State Council and the Central Military Commission, Yang Baibing, member of the commission, explained the "Regulations Governing the Service of Officers on Active Duty of the Chinese People's Liberation Army (Draft)" and requested that the meeting examine it. Vice Minister of Finance Chi Haibin reported on the state's 1987 final accounts. He Dongchang, vice minister in charge of the State Education Commission, made a report on education.

Printed reports by Vice Chairman Rong Yiren on an NPC delegation's visit to Britain, and by Huan Xiang on attending the 79th Interparliamentary Union Conference and the visit to Guatemala were distributed to the committee members.

Present at the meeting were NPC Standing Committee Vice Chairmen Xi Zhongxun, Wei Guoqing, Zhu Xuefan, Ngapoi Ngawang Jigme, Banqen Erdini Qoigyi Gyancan, Seypidin Aze, Zhou Gucheng, Yan Jici, Rong Yiren, Ye Fei, Liao Hansheng, Ni Zhifu, Chen Muhua, Fei Xiaotong, Sun Qimeng, Lei Jieqiong, and Wang Hanbin.

Li Tieying, state councillor and minister in charge of the State Education Commission; Ren Jianxin, president of the Supreme People's Court; and Liu Fuzhi, procurator general of the Supreme People's Procuratorate, attended the meeting as observers.

Wan Li Chairs Meeting

OW2506104488 Beijing XINHUA in English
1020 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)— The second meeting of the Standing Committee of the Seventh National People's Congress (NPC) opened here today to examine four motions on army building and hear a report on 1987 final state accounts.

The four motions concern rules on awarding honorary medals to retired army officers, regulations on official ranks of the People's Liberation Army (PLA) officers, confirmation of the ranks awarded between 1955 and 1965, and regulations on PLA officers in active service.

Presided over by Wan Li, chairman of the NPC Standing Committee, the meeting heard a report on the examination of the draft regulations on army ranks by Xiang Chunyi, vice-chairman of the NPC Law Committee, and an explanation of the draft regulations on the service of PLA officers by Yang Baibin, a member of the Central Military Commission.

Yang said that the draft service regulations were formulated with a view to improving the service system of army officers and further strengthening the building of army officers.

The draft takes into consideration both peace- and wartime needs, the present and future requirements, keeps to the Chinese Army's characteristics and incorporates useful practices from foreign armies.

Today's meeting also heard a report on 1987 final state accounts by Chi Haibin, vice-minister of finance, and a report on education by He Dongchang, vice-minister of the State Education Commission.

Chi Haibin said that in 1987 the total revenues amounted to 236.89 billion yuan and the total expenditures came to 244.849 billion yuan, with a deficit of 7.959 billion yuan. But local finances enjoyed a surplus of 1.719 billion yuan.

The local surplus is at the disposal of localities whereas the central financial deficit will be balanced by bonds to be issued by the Finance Ministry to specialized banks and society in general.

In his report, He Dongchang dealt with questions concerning compulsory education, reform of middle and primary education, education funds and middle and primary school teachers.

According to He Dongchang, the past ten years have witnessed a rapid development in China's education, though it still faces many difficulties.

Problems in education have aroused the concern of the government and the public, he said. His commission is trying to find ways to solve them in the course of reform.

Today's meeting had a larger number of observers and invited representatives from the All-China Federation of Trade Unions, the Central Committee of the Chinese Communist League and the All-China Women's Federation.

Observers also include heads of people's congress standing committees at the provincial level, NPC deputies who are familiar with the motions under consideration and all members of the NPC special committees.

New PLA Rules Explained

OW2606055888 Beijing XINHUA Domestic Service
in Chinese 1327 GMT 25 Jun 88

[Text] Beijing, 25 Jun (XINHUA)— Li Peng, premier of the State Council, and Deng Xiaoping, chairman of the Central Military Commission, today submitted to the second meeting of the Seventh NPC Standing Committee a proposal of the State Council and the Central Military Commission requesting deliberation on the "Regulations on the Service of Active Duty Officers of the Chinese People's Liberation Army (Draft)."

The proposal says: The "Regulations on the Service of Active Duty Officers of the Chinese People's Liberation Army (Draft)" were drafted by the PLA General Political Department in accordance with the provisions of the PRC Military Service Law in order to meet the needs of strategic changes in the guidelines on Army building and the needs of reform of China's political structure, to improve the system of service of active duty officers of the PLA, to make the ranks of military officers more revolutionary, younger, better educated and more professionally competent, and to ensure the fulfillment of the tasks entrusted to the Army by the state.

Yang Baibing, member of the Central Military Commission and director of the PLA General Political Department, explained the "Regulations on the Service of Active Duty Officers of the Chinese People's Liberation Army (Draft)" to the NPC Standing Committee at today's meeting.

Briefing the committee, Yang Baibing said: The draft regulations, which are divided into 8 chapters and 44 articles, contain specific provisions on the basic requirements, training, evaluation, appointment and dismissal, transfer, rewards and punishments, pay and benefits,

and retirement of military officers on active duty. Compared with its predecessor, the draft has added provisions on active duty officers' basic requirements, system of training, minimum and maximum age of service, promotion and demotion, and rewards and punishments.

Yang said: The draft regulations reflect the country's and the Army's realities, meet the needs of the country's economic construction and all-round reform, conform with the strategic changes in the guidelines on Army building, and help improve the system of service of active duty officers and make the ranks of military officers more revolutionary, younger, better educated, and more professionally competent. These are the guidelines used in drafting the regulations. Both wartime and peacetime circumstances and the immediate and long-term needs of army building have been taken into consideration. Characteristics of the PLA are maintained and useful practices of foreign armies are studied to ensure a normal succession of the younger officers to the old while keeping the officers' ranks relatively stable. The draft regulations are conducive to the discovery of talented personnel on a wider scope and their rational employment and will help bring into play the initiative and creativity of the vast numbers of officers.

Yang Baibing said: The Central Military Commission instituted in 1980 a system of promoting officers trained in military academies as a part of the reform of the cadre promotion and training system. The practice shows that the new system has improved the quality of officers and enabled them to meet the higher demands of modern warfare. It can also help control the number of officers and strengthen the planned management of the officers' ranks. Appropriate provisions on this matter are incorporated in the draft regulations.

He said: The PLA is an armed group for carrying out political tasks. For the purpose of strengthening state leadership and facilitating unified command of the Army, it is necessary to emphasize centralization. Provisions on the power of appointment and dismissal of officers, made in light of the characteristics of the PLA and on the basis of our experience gained since the founding of the PRC, conform with our Army's reality. The provisions are conducive to commanding the Army in combat and to the reassignment and transfer of officers on a broader scope and will ensure the quality of officers.

Yang Baibing said: The draft regulations contain specific provisions on the maximum age of officers for a given post in normal times and the maximum age of officers on active duty. The age ceiling was made in light of our experience in rejuvenating our cadres ranks in recent years. The maximum age of an officer for a given post sets a ceiling on the age of an officer for that post. When a commander fails to get a promotion after reaching the age ceiling, he should be transferred to a post with a

higher age ceiling or retire from active duty. The maximum age of an officer on active duty is the age for mandatory retirement from active duty. When an officer reaches the age ceiling and fails to get a promotion, he should retire from active duty.

He said: Officers shoulder the difficult tasks of combat, training, national defense research, defending the territorial land, sea, and air space, dealing with emergencies and disasters, and providing relief. They should be ready at all times to sacrifice themselves for the interests of the state and the people. In addition to provisions on the duties to be performed by officers, the regulations ought to specify the pay and primary benefits they can enjoy, taking into consideration China's reality and the policy of giving preferential treatment to active military personnel. This is important for enhancing their sense of responsibility and honor and setting their minds at ease. It is in the general, highest interests of the country and the people.

Yang Baibing said: To ensure normal replacement in the officers' ranks and enable them to concentrate on performing their military service, the regulations stipulate the conditions for retirement from active duty and the placement policy after retirement. Officers on active duty make contributions to the defense of the motherland and its four modernizations. When they leave their active duty posts, arrangements should be made to place them properly. This is conducive to national defense construction and economic development. The draft regulations stipulate that military officers serving at posts at the divisional or at higher level or at higher specialized technical posts are eligible for retirement when they leave active service, while those at the regimental or lower levels or at primary or secondary specialized technical posts are eligible for transfer to civilian jobs. Proper arrangements should be made accordingly. This stipulation conforms with the reality of our country and the Army.

Reinstatement of Military Ranks
OW2506103788 Beijing XINHUA in English
0806 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)— The Second Session of the Seventh National People's Congress Standing Committee today examined a proposal to confirm military ranks held in 1955-65.

The proposal had been made by the Central Military Commission earlier this year.

In signing the proposal Commission Chairman Deng Xiaoping said military ranks are an honour that the state confers on military officials.

Therefore, he said, those who held the ranks in 1955-65 should be acknowledged.

However, the confirmation will not be given to those who were guilty of high treason and counter-revolution, those who were sentenced to the death penalty, life imprisonment or any three-year imprisonment for criminal offence, those who are expelled from the Army, and those whom the Central Military Commission has decided to deprive of their ranks.

The People's Liberation Army adopted military ranks in 1955.

However, in 1965 the Standing Committee of the Third National People's Congress abolished the system at its ninth session.

Final State Accounts Reported

OW2606162088 Beijing XINHUA Domestic Service
in Chinese 0036 GMT 26 Jun 88

[Text] Beijing, 26 Jun (XINHUA)— Delivering a report on the 1987 final state accounts to the NPC Standing Committee on 25 June, Vice Finance Minister Chi Haibin said: According to the officially compiled final state accounts for 1987, China's total revenues amounted to 236.89 billion yuan and total state expenditures were 244.849 billion yuan. The final state accounts show a deficit of 7.959 billion yuan. Compared with the budget figures as previously reported to the first session of the Seventh NPC, total revenues increased by 2.227 billion yuan; total state expenditures increased by 2.157 billion yuan; deficits decreased by 70 million yuan.

He said: Calculated in accordance with the relevant stipulations of the current financial system, the 1987 deficits, which amounted to 7.959 billion yuan, included local financial surpluses totaling 1.719 billion yuan. This sum should be retained for local appropriations and expenditures. To solve the problem of the central deficits totaling 9.678 billion yuan, the State Council has decided that the Ministry of Finance will issue bonds to specialized banks and society in general rather than make it up by overdrawing from the People's Bank of China. Of the 1987 total state revenues, domestic revenues amounted to 226.242 billion yuan, fulfilling the budget plan by 101.3 percent, while foreign loans were 10.648 billion yuan, 72.9 percent of the budgeted figure. Foreign loans failed to fulfill the budget plan. This was mainly because preparations for some construction projects were not completed in time and some foreign loans were put off. Chi Haibin said: On the fulfillment of major domestic revenue plan, payments of various taxes totaled 214.036 billion yuan, fulfilling 97.6 percent of the budget plan; revenues from enterprises totaled 4.286 billion yuan, fulfilling 121.2 percent of the budget plan; revenues from sale of treasury bonds amounted to 6.307 billion yuan, 105.1 percent of the budgeted figure; funds collected for the construction of key energy and communications projects amounted to 18.018 billion yuan, 101.8 percent of the budgeted figure; subsidies to deficit-ridden enterprises amounted to 37.643 billion yuan, fulfilling 104.6 percent of the budget plan.

He said: China fulfilled the 1987 budget plan for state revenues mainly because of the steady development of its industrial and agricultural production and the expansion of its commodity circulation. In 1987, industrial production continued to grow at higher speed; rural economy steadily developed; the market was brisk. On the heels of the development of production and the expansion of commodity circulation, domestic revenues in 1987 increased by 3.6 percent over the previous year. Based on last year's economic development, state revenues could have increased a little more. However, in drawing up and carrying out our budget plan, in order to stabilize the economy and promote reform, the state adopted some measures of reducing taxes and profit delivering quotas and turned some newly increased revenues to enterprises and production departments. After allowing for these incomparable factors, revenues increased by some 6 percent over the previous year. The fulfillment of the 1987 state budget plan was also attributed to our efforts to make all reforms and increase revenues. Over the past year, in order to invigorate enterprises and develop the enthusiasm of their staffs and workers, all financial and taxation departments, following state regulations, have raised the rate of depreciation of some state-run enterprises' fixed assets, lowered regulated taxes, and actively promoted the contracted managerial responsibility system with departments concerned. The results have been fine. According to statistics, last year 8,916 state-run large and middle-sized industrial enterprises under the budgeted plan adopted the contracted managerial system. These enterprises' output value increased by 13.1 percent; their profits increased by 18.6 percent. However, the profits they delivered to the state (including income tax and regulated taxes) did not increase much; they increased by only 1.7 percent over the previous year. This was because in some areas the tasks contracted to enterprises were small. According to agreements, most of the profits exceeding the contracted tasks were retained by enterprises. In addition, the financial and taxation departments strengthened collection work and management, seriously conducted taxation, finance and commodity price inspection, and cleared up and recovered some seized incomes.

He said: Of the total state expenditures in 1987, expenditures of domestic funds amounted to 234.201 billion yuan, fulfilling 101.2 percent of the budget plan; expenditures of foreign loans totaled 10.646 billion yuan, 72.9 percent of the budgeted figure. On the fulfillment of major expenditures plan, expenditures on capital construction amounted to 62.812 billion yuan, fulfilling 95.8 percent of the budget plan; expenditures on tapping potentials of old enterprises and technical transformation and on trial-production of new products totaled 12.493 billion yuan, 111.8 percent of the budgeted figure; expenditures for supporting rural production and agricultural operating expenses were 13.416 billion yuan, 107.8 percent of the budgeted figure; operating expenses for the development of cultural, educational, scientific and public health undertakings reached 40.275 billion

yuan, 103.9 percent of the budgeted figure; defense spending totaled 20.962 billion yuan, 102.9 percent of the budgeted figure; administrative expenditure was 17.933 billion yuan, 114.9 percent of the budgeted figure; expenditures on subsidies for some commodities whose prices were fixed by the state totaled 29.46 billion yuan, fulfilling 87.4 percent of the budget plan.

He said: Generally speaking, the distribution and consumption of the state expenditures in 1987 were normal. In the past year, to shrink the swelling expenditures, the State Council has made up its mind to reduce expenditures and adopt the principle of "three guarantees and three restrictions" for capital construction, and has distributed the related quotas. Our cadres in all areas and departments have been able to proceed from the whole situation. They have bravely surmounted difficulties and made efforts to cut expenditures. They have achieved results. Compared with the previous year, last year's domestic expenditures increased by only 3.9 percent. Compared with the previous 2 years when expenditures increased by bigger margins, last year saw progress. Moreover, funds were spent with greater economic results, and the living conditions of the people in urban and rural areas were improved to varying extents.

Chi Haibin said: The state budget plan in 1987 was carried out well. However, some questions should still draw our attention. Subsequently, he dwelled on the existing questions and made suggestions on improvement for the future, including how to raise economic results, properly amass financial resources, and maintain the solemn nature of the state budget plan.

He Dongchang on Education Problems

OW2606092788 Beijing XINHUA Domestic Service
in Chinese 0002 GMT 26 Jun 88

[Text] Beijing, 26 Jun (XINHUA)— Making a report on China's education at the NPC Standing Committee on June 25, He Dongchang, vice minister in charge of the State Education Commission, said: China's educational development has been adversely affected by several major issues. First, educational development has been affected by shortage of funds. This problem is even more pronounced in secondary and primary schools. According to the 1987 statistics, secondary and primary schools in the country needed school buildings with a total floor space of 75 million square meters, school buildings totalling 45 million square meters of floor space were unsafe, and less than 10 percent of all secondary and primary schools had all the experiment instruments they needed for teaching. Second, because of relatively low pay, teachers in some localities cannot keep their minds fully on their work. Third, educational restructuring still cannot keep pace with economic reform; education is divorced from actual needs; some schools still place too much emphasis on sending more graduates to study at higher level schools; and moral, ideological, and political education has to be intensified. The State Economic

Commission will approach these issues, which have evoked the concern of the government and people of all circles, seriously and seek remedial measures in the course of reform.

Commenting on education budgets, He Dongchang said: This issue can be looked at from two sides: while educational budgets have increased substantially in recent years, the increase is still far from meeting actual needs. China spends approximately 20 percent of its education budgets on higher education, which is lower than the average of 22-25 percent for other countries worldwide, as well as that of 22-24 percent for developing countries. It should also be pointed out that teacher training, which is part of higher education, is geared to the needs of fundamental education. If budgets for training teachers are not counted, less than 15 percent of the education budget is available for higher education. To achieve the four modernizations, as well as to maintain and upgrade China's status in fierce international competition, we must ensure the quality of senior specialist training. This is why budgets for higher education must be maintained at a fairly high level.

He Dongchang said: While China's education budgets have grown substantially during the past 10 years, the budgets still fall short of actual needs, owing to the popularization of education, expansion of education programs, previous insufficiencies, and rising commodity prices. In fact, if the personnel budgets are deducted from the education budgets of the past 2 years, the money available for teaching actually decreased. Departments under the State Council have studied this issue time and again. Their tentative plans are: as the nation's economy continues to develop, it should catch up with education spending so as to increase the education budgets as a whole; policies and measures should be drawn up to raise more education funds through all channels and encourage the public to contribute to the educational cause; and efforts should be made to improve the performance of educational investment by restructuring the educational system, rationalizing educational planning, and improving the use and management of education funds. While developing education, attention should be directed to improving the quality of education and restructuring the educational system. We should control the size of schools and the number of new established schools. We will also cut the number of graduate students actually admitted: Our original enrollment plan inflated the capacity for graduate studies. In the meantime, the State Education Commission is gradually implementing a plan for admitting graduate students according to need.

Commenting on secondary and primary school teachers, He Dongchang said: Because of low basic pay and the readjustment of commodity prices, teachers' wages, especially those of secondary and primary school teachers, are on the low side. This is specifically why teachers in some localities cannot keep their minds fully on

teaching. If this problem cannot be promptly and effectively resolved, it will be hard for us to encourage proficient personnel to teach, and the implementation of the compulsory education will be affected. In accordance with the instructions of the Central Committee and the State Council, the State Education Commission and the relevant departments have studied what sort of measures should be taken to stabilize the ranks of teachers. Since the issue of teachers' pay is basically an issue of increasing education funds, and since the 1988 budgets have already been made, we cannot make any substantial readjustment. This being the case, we should, first of all, increase teachers' pay by 10 percent this year. On the other hand, the Ministry of Personnel, the Ministry of Finance, and the State Education Commission have been studying plans for adjusting some teachers' wages. They are also studying solutions for next year and beyond.

On moral, ideological, and political education for students, He Dongchang said: The basic task of education in our country is to train qualified workers and specialized personnel for socialist construction. Under the new circumstances, the implementation of the policy of reform and opening to the outside world and the development of a socialist commodity economy have brought vitality and vigor to socialist construction. A positive change is taking place in people's thinking and ideas, providing new and favorable conditions for us to cultivate personnel who have lofty ideals, moral integrity, education, and a sense of discipline. At the same time, change has also inevitably yielded some negative effects. The problems that have emerged among a small number of youth and students over a period decisively show that the moral, ideological, and political education provided in schools still cannot meet the needs of the new period. It is an urgent task for the educational front to reform and improve the work in this respect.

He said: The main ideological trend of youth and students is good. Most young people and students uphold the party's basic line and support reform and opening to the outside world. Most of the problems among youth and students are a reflection of social problems. Especially during the shift from the old to the new structure, it is unavoidable that some confused ideas and extreme views exist among youth and students, because they lack a comprehensive and accurate understanding of the situation in socialist construction and reform, are not mentally well-prepared for the difficulties and problems that pop up in the course of reform, and fail to make a scientific analysis of some negative phenomena occurring in the course of developing a commodity economy and opening to the outside world. The key to solving the problem is to correctly educate and guide them. Schools are the bases for training young people with lofty ideals, moral integrity, education, and a sense of discipline. Teaching knowledge and cultivating young people are a common duty of school leadership and all teachers, and must be done in the course of teaching and other activities. In view of current ideological situation among

teachers and students, we should step up publicity on the situation in reform, guide them to fully understand the great achievements we have made in reform and opening to the outside world in last 10 years, and strengthen their confidence in reform. It is necessary to make them understand that only by upholding a strong party leadership, enforcing discipline, uniting as one and maintaining a stable social environment can we ride over difficulties together and win new victories in reform. We should make them understand that any speeches and deeds detrimental to party leadership and to stability and unity are an obstruction to reform and violate the interests of the people of the whole country.

He said: It is a common duty of the school, the family and the society to strengthen the moral, ideological, and political education of young people. School education must be integrated with family and societal education in order to yield good results. Propaganda, cultural, publishing, art, and other departments and organizations that produce cultural products should take it to be their duty to provide youngsters with an abundance of healthy cultural products. Publishing, public security, and industry and commerce administrative departments in all localities should resolutely investigate and ban all pornographic video tapes and books according to law. We should strengthen legislative work to ensure the healthy growth of youngsters. The State Education Commission will work in cooperation with other organizations concerned to accelerate the formulation of a "minors protection law." Recently the State Education Commission held a work meeting specifically on ideological and moral education in middle and primary schools and put forward some opinions on how to improve ideological and moral education in those schools.

Reinstatement of PLA Rank System Deliberated
OW2506152888 Beijing XINHUA in English
1421 GMT 25 Jun 88

["Backgrounder: PLA Rank System To Be Reinstated"—XINHUA Headline]

[Text] Beijing, June 25 (XINHUA)—China's new regulations on military ranks for the People's Liberation Army (PLA) officers is currently under deliberation at the second Standing Committee meeting of China's parliament.

China began to confer military ranks on PLA officers in 1955, when the rules concerning military officers was passed by the National People's Congress (NPC) Standing Committee.

The new version of the rules was issued in 1963 after amendments were made to the 1955 rules by the NPC Standing Committee, which passed a resolution in 1965 to abolish military ranks.

Both rules stipulated that military ranks included field marshal, marshal, major general, general, lieutenant-general, major-general, senior colonel, colonel, lieutenant-colonel major, senior captain, captain, and first and second lieutenant.

According to the rules, the conferment of military rank should be based on an officer's position, political and professional performance, service in the Army and contribution to the course of revolution.

The title of major-general was conferred on a superior commander who excelled in establishing the People's Armed forces leading China's revolutionary effort; ten senior commanders who made great contributions to establishing the Armed Forces and leading troops in battle, were named marshals.

The new rules on military ranks submitted to the current NPC Standing Committee meeting for approval were drafted in line with the relevant articles in China's Military Army Service Law, promulgated in 1974.

Comments were solicited on the draft rules before they were passed at an executive meeting of the Central Military Commission. Also, the NPC Standing Committee's Law Committee held a meeting in June this year to examine the draft rules.

The restoration of the military rank system is aimed at strengthening the PLA's modernization and standardization efforts.

Sources told XINHUA that past experience and the practise of foreign armed forces were taken into account when the new rules were drawn up.

Three Military Chiefs Not To Receive Ranks
HK2506003488 Hong Kong WEN WEI PO in Chinese
25 Jun 88 p 1

[Dispatch from correspondent Liu Jui-shao: "China's Three Military Chiefs Will Not Receive Ranks"]

[Text] Beijing, 24 Jun—The second meeting of the Seventh NPC Standing Committee will examine and approve the "Regulations on Military Ranks for the PLA (Draft)." According to informed sources, China's three military chiefs—CPC Central Committee Military Commission Chairman Deng Xiaoping, First Vice Chairman Zhao Ziyang, and Permanent Vice Chairman Yang Shangkun—will not receive military ranks.

The sources say that this move has a certain significance. Zhao Ziyang and the other two are serving party and state leaders, and the fact that they will not receive military rank is a conscious dilution of the taste of military government and a step toward further establishment of civilian government.

Developments in many countries have shown that after the army assists in establishing the state regime, it gradually comes to play a secondary role on the political scene, while at the same time preserving national security. The military in China still has considerable influence in state affairs.

According to the sources, Deng Xiaoping and the other two themselves proposed that they should not receive military ranks.

Apart from that, since no marshals are to be created in the new military rank system, Deng Xiaoping and the others will not be suited to the highest rank, that of first-grade general.

Earlier, the departments concerned convened a meeting on the military rank system to study the criteria and the implementation methods.

It is understood that Hong Xuezhi, Qin Jiwei, Liu Huaqing, Li Desheng, and others may receive the rank of first-grade general. Hong Xuezhi was already a colonel general before the previous military rank system was abolished and is the most senior of the current PLA leaders (Deng Xiaoping was not given a rank when the military rank system was instituted in 1955).

State Council Abolishes Some Rules on Foreigners
OW2506153888 Beijing XINHUA in English
1334 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)—The State Council has decided to abolish 17 sets of rules concerning foreign nationals and announced that 11 sets of them had automatically ceased to be in force.

They were extracted from 302 sets of regulations and rules which are to be revised in order to meet need for further reform and opening to the outside world, said Huang Shuhai, deputy director of the Bureau of Legislative Affairs under the State Council.

Among those invalid, Huang said at today's news briefing, are the temporary regulations on evaluation of export products issued by the State Council and rules on proportion of investment and capital registered by Sino-foreign enterprises announced by the State Council's General Office.

The regulations to be revised cover foreign affairs, economy and trade, finance, administration of commerce and industry, pricing and inspection of commodities, as well as regulations concerning Overseas Chinese, the deputy director said.

Conference of Hainan Representatives Proposed
*OW2606064588 Beijing XINHUA Domestic Service
in Chinese 1343 GMT 25 Jun 88*

[Text] Beijing, 25 Jun (XINHUA)— At the Second Session of the Seventh NPC Standing Committee which opened today, the State Council submitted a request to the session from the Preparatory Work Group for the Establishment of Hainan Province requesting deliberation on and approval of the convocation of a conference of Hainan provincial people's representatives. The request points out: A report by the Preparatory Work Group for the Establishment of Hainan Province indicates that conditions are not yet ripe for the establishment of the Hainan People's Congress and suggests that a conference of provincial people's representatives be convened to function as the people's congress in an acting capacity. The NPC Standing Committee is requested to deliberate and make a decision on this request.

The request by the Preparatory Work Group for the Establishment of Hainan Province notes: In order to avoid work from being adversely affected by a disruption in the functions of leading organs, it is necessary to set up provincial organs of state power and administration as soon as possible, enact local statutes in a timely manner, decide on provincial undertakings, and step up the development and opening of the Hainan Special Economic Zone. As time is pressing and conditions are not yet ripe for the convocation of a provincial people's congress, it is proposed that a conference of Hainan provincial people's representatives be held to function as the people's congress in an acting capacity. To coincide with NPC elections and to facilitate the implementation of the stipulation on "holding at least one meeting every year" as is provided in the "Organic Law," it is proposed that a system of permanent representatives be introduced. The Conference of Hainan People's Representatives will be elected for a term of 5 years.

According to the request, the main items on the agenda of the conference of the provincial representatives are as follows: To discuss and adopt a construction plan for Hainan Province; to elect members of the Standing Committee of the Conference of Hainan People's Representatives, governor of the province, vice governors, president of the provincial Higher People's Court, and chief procurator of the provincial People's Procuratorate.

Regarding the number of provincial representatives and their election, the request notes: In view of the fact that Hainan is a new province, conditions are ripe for it to introduce a new structure and pioneer organizational reforms in order to make its organs of state power and administration "small yet efficient." Therefore, the number of representatives to the conference is set at 260, and should not exceed 300. In line with the spirit of being small but efficient, the number of the Standing

Committee members should be set between 31 to 35; from them a chairman and 6 to 8 vice chairmen of the Standing Committee will be chosen.

As for electing suitable persons to head the provincial organs of state power and administration, the request says: As a newly established province, Hainan's leading cadres are from all over the country. The broad masses and cadres and people need time to gradually understand and get acquainted with them. In view of this situation, there will be as many candidates nominated as the number of posts to be filled in the elections for Standing Committee members of the conference of provincial representatives, governor, vice governors, president of the provincial Higher People's Court, and chief procurator of the provincial People's Procuratorate. However, earnest efforts should be made to introduce the candidates to the representatives. After thorough deliberation and discussions by the conference, the elections will be conducted by secret ballot.

NPC Deputies Rate Government's Efforts
*OW2706010288 Beijing XINHUA in English
1346 GMT 25 Jun 88*

[Text] Beijing, June 25 (XINHUA)— The central government earns good marks for its measures to promote [words indistinct], for developing an economic strategy for coastal areas and for improving the legal system, according to a survey of deputies to the National People's Congress.

But it earns bad marks for work efficiency of government bodies and for promoting science, technology and education.

The survey, conducted among nearly 1,000 People's Congress deputies, was the first of its [words indistinct] prepared by the non-governmental Beijing Research Institute of Sociology and Economics.

The results were published in the Beijing-based "YOUTH NEWS" today.

Most of the respondents felt the reforms had produced a better lifestyle with 77.3 percent saying market supply had improved, 85.4 percent saying living standards were up, and 76.5 percent agreeing the country's economic situation was better than before.

In addition, 85 percent believed freedom of speech and the legal system have changed for the better and 70.8 percent said Chinese news media were giving a more truthful picture.

More than two-thirds— 70.1 percent— felt social conduct in China has deteriorated and 49.7 percent felt the same about the party style of work.

Some of the responses on price reforms brought out contradictions. More than half of those surveyed preferred to see government price controls on major agricultural products but 85 percent said prices should be more open to market influences.

However, 47.1 percent believed the price system will turn for the better in the next five years. The respondents felt a public service law should have top priority among laws and regulations to be issued. Next in importance was a law governing village and township enterprises, then a law for [word indistinct] and one covering the private sector. A press law was in sixth place and regulations on rallies and demonstrations, eighth.

More than two-thirds felt that as deputies they had legitimate rights to make speeches and participate in voting at congress sessions without legal punishment, to address inquiries to state organs, and to put forward proposals on the removal of government officials.

But the survey found only 2.5 percent have exercised their right to remove an official and 14.2 percent had exercised their right for an inquiry.

"Departments concerned do not favor the inquiry for fear of being embarrassed," the majority of those surveyed said.

The deputies were asked to comment on one delegate whose wife had called him long-distance to ask him not to be too outspoken because he had been maltreated for candidness after he expressed disagreement at the first session of the National People's Congress.

More than half— 52.5 percent— maintained the wife's worry was reasonable.

Although 62.1 percent of the respondents believed that the National People's Congress should supervise governmental work on behalf of the citizens, only 18.9 percent said that it is able to play such a role at present.

Zhao Ziyang Inspects Shanxi, Shaanxi
*OW2406081988 Beijing XINHUA Domestic Service
in Chinese 0743 GMT 23 Jun 88*

[Text] Beijing, 23 Jun (XINHUA)— During his inspection tour of Shanxi and Shaanxi Provinces from 14 to 21 June, Zhao Ziyang, general secretary of the CPC Central Committee, gave important opinions on the relations between the development strategy of coastal areas and economic development in the interior part of the country; reform of the price and wage systems, and internal mechanism of enterprises.

Zhao Ziyang inspected factories, enterprises, and rural areas in Shanxi and Shaanxi, and had a cordial talk with leaders of local party organizations and governments, as well as responsible persons of factories, enterprises, and rural affairs.

After hearing a report by a leader of the Shanxi Provincial CPC Committee on the province's economic development plan, Zhao Ziyang said: Shanxi's assets are its energy, raw materials, and heavy chemical industries. In the past, people said that the raw materials industry was not profitable. The reason is that what we developed then was a product economy. Now, we are developing the commodity economy, and so I don't think that the raw materials industry is unprofitable. Development in the coastal areas will definitely contribute to the development in the interior part of the country. Shanxi has a bright future if it continues to pay attention to developing the energy and heavy chemical industries.

Zhao Ziyang continued to talk about the relations between the development strategy in the coastal areas and economic development in the interior part of the country. He said: After the coastal areas have developed, it is impossible for the interior of the country to remain undeveloped. By contrast, if the interior of the country remains undeveloped, the coastal areas will be unable to speed up development. In developing the commodity economy, all localities have their own assets, and can find a right position for themselves. Even those localities with only a labor force and a bad shortage of natural resources can find a right position for themselves to develop their economy in a way suitable to local conditions. All localities should pay attention to taking advantage of their assets. The worst thing in developing the commodity economy is to blindly follow others. One should not shortsightedly develop the export-targeted economy, or the light textile, or high-technological industry just because others have done so. It definitely will not work if a locality develops its economy without taking heed of local conditions. Development in the coastal areas has created great demands for raw materials from the interior provinces. This has created a very good opportunity for those interior localities with abundant raw material resources. Development in the coastal areas is bound to increase demand for energy and raw materials from the interior provinces, and, at the same time, coastal areas' capitals and technologies will be transferred to the interior provinces. This will accelerate the exploitation of natural resources and economic development in the interior part of the country. One of the important reasons that China's economic development efficiency was not high in the past is that division of work among various localities is too poor. The reason that division of work among various localities is poor is that we had put our efforts into developing the product economy for a long time. Now, things have changed. Interior provinces should properly study the assets and advantages they have, and try to find a proper position for themselves by making use of the division of work among different localities. In the general trend of developing the commodity economy, the following situation will automatically emerge: All localities make use of the assets they have; and, through exchange of commodities, make up for their deficiency with their assets, benefit one another, and achieve common prosperity.

Zhao Ziyang inspected the Pingshuo Opencut Coal Mine on 15 June. He said: Reform has now entered a crucial stage. We must begin to solve those more difficult problems encountered in reforms. The main problems are reform of the price and wage systems. The main reason reform of the price and wage systems is difficult is that our society has a poor ability to withstand the impact of this reform. This ability is primarily dependent on the economic results of enterprises. Both the resolution of financial difficulties of enterprises and elimination of price hike factors depend on improving economic results of enterprises. Society would have no ability to withstand the impact of price and wage reform if enterprises are not reformed first. Of course, if the price and wage systems are not reformed, a new system could not be established, and, as a result, reform of enterprises could not be further carried out for lack of a suitable environment and conditions. In the final analysis, reform of the price and wage systems depends on improving economic results of enterprises. Once the economic results of enterprises are improved, there will be more leeway to maneuver price and wage reform.

During his inspection tour of Shaanxi, Zhao Ziyang offered his opinions on several occasions on speeding up reform of the internal mechanism of large enterprises. He said: Some large state-owned enterprises currently lag behind medium-sized, small, and rural enterprises in economic results. This is a very serious problem. Medium-sized, small, and rural enterprises usually have poorer facilities and equipment, use higher-priced raw materials, have fewer technical workers, pay higher wages, and have heavier financial burdens. In addition to paying taxes, rural enterprises have to give part of their profits to the local township government to subsidize agricultural work. On the contrary, large state-owned enterprises usually have better facilities and equipment; have a higher technical level; pay lower wages to workers than medium-sized, small, and rural enterprises do; and pay less tax and profit share to the government. Under similar conditions, the production efficiency and economic results of medium-sized, small, and rural enterprises are better than those of many large enterprises. The main reason for this is that medium-sized, small, and rural enterprises have a better internal mechanism, seriously take care of their own profitability and losses, and truthfully implement the system of paying rewards according to one's work. They have a very strong ability to adapt to the situation of free competition. On the other hand, some large state-owned enterprises are poorly managed, have illogical internal mechanisms, and still hold an "iron rice bowl" and a "big rice pot." In time of reform, large state-owned enterprises should not ask the government to reduce taxes and profits to be paid to the Government as they did before. They must emancipate their minds and speed up reform of their internal mechanism.

Zhao Ziyang said: Speeding up reform of the internal mechanism and improving the economic results of large state-owned enterprises are major problems affecting the

current overall situation. We have made great achievements in reforms in the last few years. However, currently both the new and old systems are at work, and therefore there are a lot of frictions and contradictions. We should speed up reform and strive to shorten the transitional time from the old system to the new.

Zhao Ziyang pointed out: Large state-owned enterprises have had much experience in making internal reforms. It seems that the factor that has played a leading role in reforming the internal mechanism of enterprises is the contract responsibility system. The key issue of implementing this system is to base it on competition. In setting terms for contracting an enterprise, we should get rid of the "one-to-one negotiation" practice, truthfully implement the open bidding system, and introduce the mechanism of competition to headquarters, branch factories, workshops, and work groups of large enterprises. Once this is done, other internal reforms of an enterprise can then be carried out easily. A base will then be available for reforming its personnel system, labor system, and distribution system; and its productivity and economic results will then improve. Experience in contracting enterprises through open bidding should be properly summed up, promoted, and made use of as a whole. For example, some enterprises contract out on mortgage through open bidding, or on the terms that all members of the contractor side hold responsibility for possible losses. In this case, contractors at all levels and all workers are shareholders, and the shares they own are also a security against possible losses, thus combining the contract system and shareholding system. Still, some other enterprises use the contract system to implement multiownership and diversified management systems at a factory; and let all units have a free hand in developing new products, seeking new business opportunities, and making more profits as long as they fulfill their contractual obligations. In this way, people's initiative and creative power can be brought into full play. These practices have brought good results.

He said: We should seriously reform the cadre system and create a good environment in which people can display their talents. In many large enterprises at present, workers at first-line production posts are dissatisfied with the fact that there are too many workers and staff members at second-line workposts. In the course of reforming the labor system, enterprises should decide the personnel slots of each department according to its work load and recruit its responsible persons, workers, and staff members through open competition. Enterprises should also rationalize work arrangements at the forefront of production. After stepping down from workposts, surplus personnel may be engaged in tertiary industry or be retrained to take more suitable jobs. Currently, some large enterprises are complaining that their economic returns are adversely affected by their burden in "running social welfare services." If large enterprises completely shift the burden of providing services to workers and staff members onto local governments, maybe they can enhance their economic returns.

but the shift is detrimental to overall social benefit [she hui xiao yi 4357 2585 2400 4135]. Besides, it is not feasible at present. The problem is not caused by the burden of enterprises offering services to workers and staff members, but by the way in which these services are offered. In offering these services, are the enterprises engaged in an egalitarian practice of "everybody eating from the same big pot" without considering costs, or are they using such commodity economy methods as signing contracts or leases? In enterprises, both the departments providing services to production and those providing services for the people's livelihood should practice independent accounting and assume sole responsibility for their own profits and losses as much as possible.

Zhao Ziyang said: These reforms in enterprises, particularly that of the labor system, look difficult. Nevertheless, if we seriously carry them out in accordance with the principle of signing competitive contracts, they will yield good results. The key is to promote understanding. We should let the workers and staff members know how we are carrying out reform and about conditions for job contract, hiring, and work arrangements, and we should create favorable public opinion for the reforms. Next, we should uphold equal opportunity, so that everyone is under the same rules and regulations.

Comrade Zhao Ziyang said: In the reform of internal mechanisms, large state-owned enterprises should attach importance to, and learn from, the experience of small enterprises, especially village and town enterprises. It is not easy for small and village and town enterprises to learn from some of the experiences of large enterprises, such as organizing large transprovincial enterprise groups, taking advantage of the open policy to develop high tech products alone or in cooperation with foreign firms, and so on. However, large enterprises may, in light of reality, use the experience of small and village and town enterprises to improve their operations and invigorate themselves. If large state owned enterprises achieve success in this respect, their economic efficiency should, and can, be higher than that of small and village and town enterprises. Reform of the internal mechanism of large enterprises should be deepened and accelerated under proper leadership.

Zhao Ziyang called on all provinces, municipalities, and autonomous regions to pay attention to reform of the internal mechanism of large enterprises and create a good environment for reform. He said: Currently, companies in which government functions are not yet separated from business management are using their administrative powers, such as the power to allocate hard to get materials, to control enterprises. We must change such a situation.

Comrade Zhao Ziyang emphatically pointed out in Shanxi and Shaanxi Provinces that great achievements have been made in reform in the last 10 years, and the current reform situation is good. We should analyze and compare in order to assess the situation and reform. We

should adhere to the criteria of practice and productive forces. Whatever is proven by practice to be conducive to the development of the productive forces is correct, and anything opposite is incorrect. We must not fail to see this point and must not use outmoded, dogmatic viewpoints to assess right and wrong.

Li Peng Presides at Council Executive Meeting
OW2506190588 Beijing XINHUA Domestic Service
in Chinese 0705 GMT 25 Jun 88

[Text] Beijing, 25 Jun (XINHUA)— Premier Li Peng presided over the ninth executive meeting of the State Council on 24 June to examine and discuss the "Short-Term Plan for Reforming the Investment Management System" proposed by the State Planning Commission and the "Provisional Regulations on Stamp Tax of the People's Republic of China (Draft)" drawn up by the Ministry of Finance. The meeting adopted these two documents in principle. The "Short-Term Plan for Reforming the Investment Management System" will be put into practice on a trial basis after it is revised. The "Provisional Regulations on Stamp Tax of the People's Republic of China," after revision, will be promulgated by the State Council for implementation.

While deliberating the "Short-Term Plan for Reforming the Investment Management System," the meeting pointed out: With the development of the entire economic structural reform in recent years, we have carried out some reforms and achieved certain results with regard to the management of fixed asset investment. However, these reforms are only preliminary, and if we view the investment system as a whole, we will see that some radical problems have as yet to be resolved. The main problems are as follows: In macromanagement, we have not established a regulating and controlling system suited to the new circumstance of diversified investment channels. Accordingly, there is no effective regulation, control, and guidance regarding the scale of construction and the use of investment. Moreover, there has been no change in the phenomenon that the central authorities are doing too much about key construction projects. Also, administrative measures are still used predominantly in arranging investment. Investment obligations are assigned to various localities by the government departments concerned, and power, responsibility, and profit are separated from one another. In addition, a genuine public bidding system for design and construction work under the competitive condition has not yet been established. Hence, the phenomenon of eating from the same big pot and the problem of loss and waste are still rather serious.

The meeting pointed out that only by continuing the reform of the investment system to radically correct the above-mentioned problems is it possible to effectively control the investment scale, rationalize the investment structure, and raise to a remarkable extent the returns of investment and the results of the entire economy.

The "Short-Term Plan for Reforming the Investment Management System," adopted in principle at the meeting, specifies that emphasis should be put on the following in carrying out the reform during the last 3 years of the Seventh 5-Year Plan: 1) separation of management at different levels in dealing with important long-term construction investment; 2) expansion of enterprises' power to make investment decisions so that they will become main investors in general construction projects; 3) institution of a capital construction fund system to ensure a stable source of funds for key construction projects; 4) establishment of specialized investment companies so that investment will be managed by economic means; 5) streamlining administration and decentralizing power to improve the management of investment plans; 6) strengthening the self-control mechanism of main investors and improvement of the macroregulation and control system for investment; and 7) implementation of a public bidding system to give full play to the role of the market and the mechanism of competition.

While examining and discussing the Provisional Regulations on Stamp Tax (Draft), the meeting pointed out: With the implementation of the policy of opening to the outside world and invigorating the domestic economy, China has made rapid progress in developing the socialist commodity economy. In economic activities, certificates and vouchers of one kind or another are issued and received by people on an extensive scale. In view of this, not only does the objective condition exist for the levy of a stamp tax from those issuing or receiving such certificates and vouchers, but there are many advantages in doing so. Levy of the stamp tax will help enhance taxpayers' awareness of abiding by the legal system and will be conducive to improving and strengthening tax management work, accumulating funds for socialist construction, building up the legal system, and safeguarding the economic rights and interests of our country.

Minister Pledges Further Efforts To Fight Drugs
OW2606194588 Beijing XINHUA in English
1209 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)— China will continue to take strong measures to fight drug abuse and illicit trafficking.

Chen Minzhang, China's minister of public health, made the promise at a meeting to mark international drug abuse day here today.

He said that in recent years some international trafficking gangs have attempted to smuggle narcotics into other countries and regions via China. From 1981 to 1986, the Chinese customs tracked down 20 cases of heroin trafficking, and 43 traffickers of foreign nationalities were arrested and sentenced to imprisonment.

The persistent policy of the Chinese Government for the control of narcotics is such that national laws, regulations and plans must be stipulated to ensure that narcotics shall only be used for medical and scientific purposes; illicit cultivation, production, trafficking and smoking of narcotics must be prohibited, he stressed.

Before the founding of New China in 1949, the Chinese people had suffered a great deal from opium smoking over a long period of time. Approximately 20 million people were addicted to opium and heroin throughout the country, and opium poppies were grown on about one million hectares of farmland.

Shortly after the founding of the People's Republic of China, a series of measures were taken and the vice was eliminated in 1952. Since 1983, the country has promulgated various drug administration laws and a narcotic drug control act.

Drug abuse and illicit trafficking have brought great [word indistinct] to many countries. The comprehensive multidisciplinary outline of future activities in drug abuse control adopted by the 42nd U.N. General Assembly last year and the decision to make [words indistinct] and resolve of the international community to fight against the evil effects of narcotics, Chen said.

He said that since 1983 China has developed cooperative ties in narcotics control with several international organizations and countries including the United States, France, and Canada. China has also held, in collaboration with international drug control bodies and relevant countries, more than [number indistinct] training courses, seminars and symposiums on drug control.

"In view of the rampancy of international drug trafficking, the fight against drug abuse and illicit trafficking will be a long-term task," said Minister Chen, adding that the Chinese Government and people will make unremitting efforts to eliminate the poisonous effects of narcotics in the world.

Minister Urges Improved Communications Work
HK2706084888 Beijing CHINA DAILY
(BUSINESS WEEKLY) in English 27 Jun 88 p 1

[By staff reporter Chen Weihua]

[Text] A national work conference on telecommunications held in early June called for faster development of a telecommunications network to remove one of the main obstacles to the build-up of China's export-oriented economy.

Yang Taifang, Minister of Post and Telecommunications, said investment funds should be raised at all levels. The ministry will invest only in international telecommunications and inter-provincial services; local governments, enterprises and individuals are responsible for improvements in local service.

Yang said Guangdong and Fujian Provinces were good examples of the way forward. The two provinces have developed a better telecommunications network thanks to the efforts of local governments and enterprises.

The State is investing 1.8 billion yuan this year in post and telecommunications, accounting for 19.4 percent of the country's total investment, compared with 35 percent in 1986. Consequently, more funds will have to come from local users.

Yang said the recent demand for more telecommunications facilities was the result of the national drive to develop an export-oriented economy.

In the first four months of this year, international calls increased by 71.2 percent over the same period last year.

More than 350,000 applicants in China are trying to get their own telephone sets—27 percent more than in 1986. About 80,000 are in Shanghai, China's largest city, where sometimes it takes longer to make a phone call than travel to visit in person.

The nation's telecommunications system got a shock in 1979, after China adopted its open policy and it was found that the old network, mainly made in the 1930s, could not cope with the increased demands put on it.

And as the country has continued to open, the problem has become much more widespread and acute.

Zhu Gaofeng, vice-minister of the industry, said the ministry this year is first tackling problems in those areas that block the whole network.

He said important lines will be transmitted through large capacity micro-wave, electric cable and satellite systems. Lines in capital cities of provinces and coastal open cities eventually will be programme-controlled.

Ministry officials said counties should also have direct dialing systems by 1990.

Zhu said the only way to solve the problem of long-distance calling is through automation. Many long-distance calls in China now still need operator assistance.

Yang said second-hand facilities may also be imported as an economical way to improve the network, considering the current shortage of financial resources. This will allow loans to be repaid in a shorter time.

But for international services, it's better to use advanced technology which is up to world standards. International telecommunications should be given priority over domestic services, Zhu said.

Priority should also be given to Shanghai, Beijing and Guangzhou, which have a large business turnover. In the next two years, the automatic switchboard of international lines will be increased by 2,000 in Beijing and Shanghai.

In the past nine years, telephones in Chinese cities have increased from 1.75 million to 4.65 million and in rural areas from 2.31 million to 3.09 million. Long-distance lines have increased from 18,800 to 53,400.

Yang said facilities are far from adequate in some cities, where long distance switchboards have only 400 lines and there are only 2,000 programmed-controlled telephones. They will face a problem of expansion very soon.

He said a poor telecommunications network means less information available to China. The country should not fail in its strategy of building an export-oriented economy solely because of the poor telephone system, he said.

Zhu also called on local governments to make the best use of the favourable policies of the central government to encourage the plowing back of profits to develop the post and telecommunications network.

Now all the profits from local telephone service can be used for the construction of local phone systems.

The State Council has offered help to local authorities in the takeover of farmland and forests during the construction of telephone systems.

XINHUA Commentary on Clean Government
OW2406143988 Beijing XINHUA in English
1331 GMT 24 Jun 88

["Commentary: Guarantee for Clean Government"—XINHUA headline]

[Text] Beijing, June 24 (XINHUA)— The Chinese state power organs and the State Council have decided to regularly release "substantial" news to the public on their work.

The press release system was also established in the Supreme People's Court and the Supreme People's Procuratorate, as well as the Organization Department of the Chinese Communist Party and the ministries and commissions of the State Council.

The establishment of the press release system in nearly all departments of the central authorities is not only an important measure to make public state affairs to help the people to supervise the Government, but also a guarantee for building a "clean and honest" government.

In recent years, along with China's opening wide to the outside world and the ongoing reforms of China's political and economic set-ups, particularly the development

of the commodity economy, there have also appeared some unhealthy tendencies and decadent phenomena including privilege-seeking by a small number of party and government officials.

True, the existing decadent phenomena are a "product" of the developing commodity economy. However, the problems can only be resolved through further development of the commodity economy, that is, by establishing and improving various systems to make them keep pace with the development of the commodity economy.

Decadent phenomena are naturally related to the ways of thinking of leading officials. However, as China's top leader Deng Xiaoping once put it, "The more important factors lie in the organizational and working systems." He also stated that "both the ideological problems and the problems concerning systems should be tackled."

The State Council has concentrated its efforts on building a "clean and honest" government through improving various systems and strengthening supervision. Down-to-earth efforts are being made in those aspects about which the public is most dissatisfied.

In the past 2 months and more, the State Council has convened 7 Standing Committee meetings at which the working systems of the State Council have been established and the responsibility of each member of the State Council is clearly defined. The meetings also made relevant decisions on the focus of future work and issues that the people are most concerned about.

At a May 27 meeting, the State Council decided to cancel or suspend the construction of 33 office buildings, hotels, and other service projects in Beijing.

Administrations at all levels are also considering introducing the "exposure system", offering convenience for the people to disclose or report suspected crimes, including bribery and embezzlement, thus putting the performance of the Government under the supervision of the people.

While introducing the civil service system in the government, a system will also gradually be introduced to prevent people with close consanguineous relationships from working in the same unit.

Local governments have also adopted specific measures according to local conditions. Banquet taxes will be levied in Shanghai and Tianjin; in Shenzhen City, officials are required to report to their departments their monthly income; in Beijing, relevant government departments will make public the results of the issues they handle without delay.

While stepping up the reforms of various systems, the Central Government is also strengthening supervision at various fields. They include party discipline supervision, administration supervision, legal supervision, public supervision, mass media supervision, and technological supervision.

In a sense, the strengthening of supervision is the most important thing. The failure to effectively check the spread of decadent phenomena is directly related to the weak performance of the supervisory organs.

The establishment of special divisions at the Supreme Court and the supreme procuratorate for the people to expose or lodge petitions against bribery and embezzlement, and other offences encroaching upon the legitimate rights and interests of the people will undoubtedly spur the establishment of a "clean and honest" government.

Number of Younger Leaders on the Rise
OW2506202388 Beijing XINHUA in English
1122 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)— More than 550,000 younger people have been promoted to leading posts above the county level and over 2.87 million older cadres have retired from their jobs since 1982.

This was disclosed by Song Ping, member of the Political Bureau and director of the Organization Department of the Chinese Communist Party Central Committee, at a national conference on the organization work of the party, which opened here today.

In his report to the conference, Song also disclosed:

—With the abolition of life-long tenure of office, and introduction of democratic recommendation and examination of leading personnel, breakthroughs have been achieved in the party's cadre administration system;

—More than 7.34 million cadres at various levels have been trained over the past six years and the quality of cadres has been raised;

—A total of 4.18 million cases of injustice were readressed from the end of 1978 to the eve of the 13th national conference of the party last year; and

—Over 9.68 million people have joined the party since 1982 and corrupt party members have been expelled.

However, Song Ping pointed out, many shortcomings still exist in the party's organization work and there is yet a lot to do for the building of a democratic system concerning the work of party committees in government departments.

He urged more openness in cadres' work. Promotion of cadres must be made known to the masses and must be done under their supervision.

A fair chance should also be given to all candidates so that all of them can compete according to their merits.

"This is the guideline for the reform of our cadre promotion work. Various forms, including democratic election, recommendation, appraisal and examination, should be practised so as to accelerate the democratic process," Song said.

Improved Legal System Needed To Aid Development
OW2606212288 Beijing XINHUA in English
0644 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)— China's plan to develop an export-oriented industry in coastal areas will not work unless it improves its legal services and other investment conditions, Cai Cheng, minister of justice, said in an interview in today's "CHINA DAILY."

"If some legal issues concerning foreign businessmen are not solved properly, our plan to have an export-oriented industry is merely wishful thinking," he said.

However, Cai said there is still a shortage of people trained in law, economics and foreign languages.

Many people who are already working in the field need upgrading to become qualified in their profession, he said.

However, Cai said some steps in the right direction have been taken.

Laws and regulations concerning foreign investment have been passed to encourage more foreign businessmen to invest in China and the number of lawyers and legal advisers for overseas investors has been increasing, too.

More than 700 joint ventures in Jiangsu, Zhejiang and Guangdong Provinces were using legal services at the end of last year. Lawyers in the three provinces have been involved in 41,000 foreign-related lawsuits and helped recoup losses worth 2.6 billion yuan. About 60 percent of the rural townships in the three provinces have legal offices.

Cai noted also lawyers have been responsible for attracting 2.3 billion U.S. dollars worth of foreign investment into Guangdong in the past five years, half of the total foreign investment in the province.

Cai said the ministry has decided to hire lawyers from the community through open competition.

It hopes to increase the number of lawyers from the present 23,000 to 45,000 by the end of 1990.

Commentary Stresses Arduous Struggle in Reform
HK2606030088 Beijing RENMIN RIBAO
in Chinese 19 Jun 88 P 1

["Weekly commentary" by Zhong Huai (6988 2037):
"An Experience From the Sixties"]

[Text] In a recent talk on our ability to take on the risks involved in carrying out comprehensive price and wage reforms, Comrade Deng Xiaoping pointed to our experiences in overcoming difficulties in the 60s.

People in their forties and older would today probably still remember the serious problems confronting our national economy from 1959 to 1961, commonly known as "the 3-year period of difficulty"; they could probably also remember that owing to the timely and resolute adoption of guidelines by the party and the government to readjust the economy, a new situation emerged in the national economy three years later.

We gained many experiences in overcoming difficulties during the 60s. However, I think that there is one lesson that cannot be ignored, namely: concerted efforts and arduous struggle of the entire nation. Both the masses and the leaders bore the burdens, clenched their teeth, tightened their belts, observed strict orders and prohibitions, and together surmounted the obstacles. Without these efforts, it would be unimaginable that such enormous hardships were hurdled in a short period of time.

As our country enters a crucial stage in implementation of reforms today, we are again confronted by numerous problems, the biggest of which is the price reform. Naturally, it would be unrealistic to compare today's problems with those of the 60s, but to settle the tough issue of price reform, concerted efforts and arduous struggle are still indispensable.

Concerted efforts would require "unity of hearts and minds". To achieve such unity, it is imperative for the people to have a correct understanding of the necessity of price reform. At the same time, it is also necessary for people all over the country to work together and share the burdens. It is no secret today that more than a few people harbour feelings of resentment. If such feelings are regarded as the result of a misunderstanding of price reform or of psychological unpreparedness, then they are a simplification of the problem. There is "more than meets the eye" in this issue. The people are very dissatisfied with some leading organs and cadres who ask the people to "make contributions" yet they themselves do nothing; who call on the people to take to simple living and hard struggle, yet they themselves indulge in high living and extravagant lifestyles. When there is dissatisfaction among the people, it is rather difficult to ask them to bear the "birthpains" of reforms or even to make necessary sacrifices willingly and calmly.

The recent decision reached at a Standing Committee meeting of the State Council resolutely ordering a stop or delay to construction of 33 buildings and edifices in the capital is most gratifying. Some people described it as "the opening salvo of the new government". It is one fired against the trend of extravagance and waste, and people hope that it would produce a deafening and thundering effect. Recently, the State Council again issued a notice asking all provinces, regions, and municipalities to clean up all projects on construction of buildings and edifices, making resolute decision to stop or delay a number of projects. At the same time, it instructed RENMIN RIBAO to publish the notice so as to facilitate supervision by the people. This may be considered "a drumfire"! With determination of the central authorities and supervision by the people, people hope that the succession of thunderous salvos would realistically contain this extravagant trend to construct mansions and buildings.

The people on top and in the bottom, the leaders and the people—if they think and work as one, nothing is impossible. The price reform is a major move and is bound to have its risks and dangers, but as long as the policy is correct and the entire nation works as one and share the burdens, then it can brave the winds and waves and make it successfully to the shore!

Economics Paper on Creating Atmosphere for Reform
HK2506095788 Beijing JINGJI RIBAO
in Chinese 9 Jun 88 p 1

[Commentator's article: "Create an Atmosphere Favorable for Reform and Opening Up—Further on Establishing a New Order of Socialist Commodity Economy"]

[Text] Establishing a new order of socialist commodity economy is a long-term and very pressing task. At present, the most pressing thing to do is to rationalize the relationship between prices and wages and to create a stable social environment and an atmosphere favorable for reform and opening up to the outside world.

Rationalizing the relationship between prices and wages is the inevitable requirement of deepening the economic structural reform rather than the product of somebody's subjective fancies. However, the task of reforming prices is very arduous. The question of prices itself is very complicated. A slight move taken in price reform may affect the situation as a whole as price reform affects the interests of the various sectors of society and touches on its every nerve. To carry out price reform smoothly, there are only three ways to take: One is that we should "be determined to take this risk" and fully understand that "conditions are ripe for us to take the risk of overall price and wage reforms" and the society and the people have a certain ability to endure risks. Another is that we should achieve unity in thinking and work out counter-measures. The third way is that we should create a stable social environment so as to ensure price reform will progress smoothly. Whether the social environment is

stable or not is a basic factor for the reform, because it directly determines the progress, efficiency, and even the success or failure of reforming prices and establishing a new order of socialist commodity economy.

Creating a stable social environment and an atmosphere favorable for reform is the common aspiration of the whole party and the people throughout the nation. Since the 3d Plenary Session of the 11th CPC Central Committee, reform has become a powerful force for China's social development and has a bearing on the long-term interests of every member of society as close as flesh and blood. Meanwhile, only in a social environment characterized by stability and unity can it be carried out smoothly. Especially since reform entered a stage of crucial importance, we need all the more a stable social environment and cherish the situation of stability and unity more than ever before. It is hard to imagine that reform can be carried out in a chaotic environment. He who wrecks the stable, overall situation will, in the final analysis, go against the wishes and interests of the majority of the people, set himself against reform, and may even stand condemned throughout the ages.

Our current social environment and overall reform climate are relatively sound. However, it must also be noticed that certain discordant elements may arise in some corners and places, disrupting the orientation and process of reform. A tiny number of people who have a wrong appraisal of the present situation deny the achievements made so far in reform and regard certain difficulties arising in the current reform as crises in almost every field. Capitalizing on the weaknesses of a small number of young people who have little knowledge about the affairs of human life and tend to go to extremes, they stir up trouble and create disturbances in an attempt to confuse the fine situation of reform and opening up. If their activities are allowed to develop unchecked, there will be no way to carry out reform and to make breakthroughs in tackling difficult problems, and establishing a new order of socialist commodity economy will thus become empty talk. Therefore, we must oppose in a clear-cut manner the small number of people who do harm and damage to stability and unity rather than compromise and make concessions to them and we must also boldly and forcefully refute all the rumors they spread.

Currently, more often than not, the tiny number of people who oppose and sabotage reform flaunt the banners of so-called "democracy," "freedom," and "human rights" and make use of combating bureaucratism and corruption. It must be stated clearly that as a matter of fact, we stress democracy and combat bureaucratism. Nevertheless, our starting point has nothing in common with certain people's intentions. To put it bluntly, their so-called "democracy" is only ultraindividualism and anarchy, an absurd practice of the "Great Cultural Revolution," an abuse and challenge to such rational social authorities as the legal system, laws, and

social administration and order, and also a distortion of democracy. No country in the world will tolerate this primitive and irresponsible "democracy." Moreover, democracy mainly refers to a democratic system, and a legal system is indispensable to it. Democracy is also an order, a social order with scientific programs. Democracy that sets democracy against order is not the democracy needed by social progress. The development of democracy should be consistent with the development level of productive forces. It is a historical process. The discussion of democracy in the absence of the major prerequisites of national invigoration and realization of the four modernizations will only lead to the past situation in which the state and the nation were in a loose sheet of sand and the masses lived in dire poverty.

Currently, we need democracy and authority as well. Eliminating authority in itself means eliminating modern large-scale industry itself. This is an unimaginable thing. The authority we discuss here has a direct bearing on order. If authority is denied and each goes his own way, it will be impossible to effectively establish a new order of socialist commodity economy. On this point, we must have a sober understanding.

Of course, as far as the people all over the country are concerned, they are completely confident of establishing a new order consistent with socialist commodity economy and creating an atmosphere favorable for reform and opening up. They can distinguish right from wrong, see clearly the future of reform, and firmly hold the direction and future of reform in the face of stormy waves of all kinds. So long as leaders at all levels lose no time in conducting social consultation and dialogues well, reform and strengthen ideological and political work, and put greater stress on enlightenment in the work, we can certainly create an atmosphere favorable for reform and opening up and move ahead smoothly with our reform, braving all stormy waves.

HONGQI Meeting Discusses New Journal
*HK2406061588 Beijing HONGQI in Chinese No 11,
1 Jun 88 pp 30-31*

["Minutes of 1988 HONGQI Coordinators Meeting"]

[Text] A meeting of HONGQI liaison personnel was held from 9 to 11 May in the Beijing Central Party School. Comrade Gao Yang, president of the Central Party School, attended. The meeting was presided over by Comrade Su Xing, vice president of the Central Party School and deputy editor in chief of HONGQI. A total of 35 assistants and HONGQI liaison personnel working in various provinces, municipalities, and autonomous regions and the PLA General Political Department and some comrades of HONGQI were present at the meeting.

1. At the meeting, Comrade Su Xing conveyed the decision of the CPC Central Committee and the "Scheme of the Central Party School on Running the

Party's Theoretical Magazine on Behalf of the CPC Central Committee." He also gave an account of the publication and distribution of HONGQI since September 1987 and preparatory work made for QIUSHI.

The liaison men attending the meeting aired their views and spoke without any inhibitions. The atmosphere of the meeting was warm and serious. In their speeches, the comrades vigorously supported the decision of the central authorities on setting up QIUSHI, seeing it as a positive way of strengthening Marxist study and propaganda which will be conducive to integrating theory with the practice of reform and opening up; to finding the laws governing building socialism with Chinese characteristics; to explorations, contention, and invigorating and vitalizing theories; and to extensively uniting with writers—young and middle aged writers in particular.

2. The comrades attending the meeting believe that the central authorities have affirmed the great deal of work done by comrades of HONGQI with arduous efforts since the 3d Plenary Session of the 11th CPC Central Committee. The task at present is to boost morale and run QIUSHI well. To this end, it is necessary to conscientiously sum up experience, get rid of the baggage, and emancipate the minds.

First, the comrades held the consensus that it is necessary to resolutely implement the guidelines laid down by the central authorities for running the magazine: 1) Comprehensively publicize one center and two basic points with the party's basic line of the initial stage of socialism as the guiding principle, put reform at the center of all undertakings, and prevent rigidity and liberalization. 2) Overcome the shortcomings of excessive seriousness and a lack of vividness so that QIUSHI will have a new outlook in both contents and form.

Second, it is necessary to enthusiastically go deep into the realities of life, acquire an intimate understanding of the actual circumstances, plunge into reform and opening up, and solve the practical problems that demand prompt solution. Many comrades proposed a survey of readers to find out what they are thinking, what they are anxious about, and what they need. Instead of evading the hot, difficult ideological problems of cadres and the masses, flexible measures should be adopted promptly and scientifically to provide theoretical answers. Therefore, the editing work style should change and the magazine should not be edited in the office behind closed doors.

Third, as the name of the magazine is QIUSHI, it is necessary to have the spirit of seeking truth from facts, make bold explorations, and blaze new trails. The magazine should take the lead in unswervingly implementing the "double hundred" policy and take part in contention on an equal basis rather than act as a referee. It should extensively unite with the comrades of the ideological and theoretical circles amid contention.

Fourth, a number of comrades pointed out that QIUSHI should give prominence to major issues rather than have too many columns. Centered on economic and political structural reforms, it should publish articles focusing on major issues. Meanwhile, it should offer more information and knowledge so that the cadres can widen their field of vision and face the world.

Fifth, reduce the number of articles written by leading cadres and noted writers and increase articles by young and middle aged theoretical and practical workers who have keen insight. Pay attention to writers in the border regions and vigorously support the young writers.

Sixth, improve the style of writing, make the magazine vivid, and never try to pursue a set pattern. The articles should maintain different styles and be interesting so that the readers look forward to reading it.

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The comrades attending the meeting made a number of constructive suggestions: The magazine should not be run behind closed doors, the Editorial Department should take an active part in and organize activities of theoretical circles and frequently hold discussions and forums on special topics, increase the sense of competition, and conscientiously study and assimilate the valuable experience of other newspapers and periodicals.

3. The meeting held that the liaison men have vigorously supported and assisted editing, publication, and distribution of HONGQI with fervent enthusiasm over the years. The Editorial Department expressed its gratitude to the liaison men. The scheme for running QIUSHI approved by the CPC Central Committee maintains that the system of liaison men should continue to be established in various provinces, municipalities, and autonomous regions and the PLA General Political Department. The Editorial Department hopes that the party committees at all levels and leaders of the PLA General Political Department will continue to support and assist the work of QIUSHI.

4. At the meeting held on 11 May, Comrade Gao Yang delivered a speech entitled "Some Guidelines for Running QIUSHI" in which he pointed out that the magazine should be run by having a firm grasp of readers of QIUSHI as defined by the central authorities. Instead of publishing articles summing up general experience, particular note should be given to the new experiences of universal significance created by the political, economic, and cultural fields in the practice of reform. These experiences should be theoretically affirmed and extensively spread. Upholding Marxism should be integrated with developing Marxism, he stressed, and the contents of QIUSHI should focus on economic structural reform, political democratization, and training new people with lofty ideals, moral integrity, better education, and a sense of discipline, that is, developing social productive forces, increasing the people's sense of responsibility of being masters of their own affairs, and improving the people's ideological and cultural qualities. He also emphasized the importance of improving the style of writing.

RENMIN RIBAO Overseas Edition Anniversary
OW2606212088 Beijing XINHUA in English
1158 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)— The third anniversary of the publication of the overseas edition of the "PEOPLE'S DAILY", China's authoritative daily newspaper, was marked here today.

Leading members from more than ten press organizations and the Editorial Department of the paper, including Tan Wenrui, editor in chief of the "PEOPLE'S DAILY", participated in the meeting.

The participants agreed that the paper has been well received by readers.

After reviewing the contributions the paper has made to introducing China's reform and open policy to overseas readers, the participants raised some suggestions on its future work.

They expressed the hope that the paper would be more lively and vivid, and have its own features, increase its information input and publish more commentaries introducing China's reform and open policy.

The overseas edition of the paper started publication July 1, 1985. It is printed in Hong Kong, New York, San Francisco, Tokyo and Paris via satellite facsimile and air transportation of editions.

The main readers of the paper are Overseas Chinese with a circulation of more than 20,000.

Journal Urges Building Socialist Market System
HK2406010588 Beijing JINGJI GUANLI in Chinese
No 3, 1988 pp 7-12

[Article by Wang Haibo (3076 3189 3134), edited by Liu Qichang (0391 0366 2490): "Speed Up the Establishment and Fostering of a Socialist Market System"]

[Text] In his report to the 13th CPC National Congress, Comrade Zhao Ziyang mentioned the building and fostering of a socialist market system as an important task in China's current deepening of the reform of the economic structure. In this article, I shall talk about my own study and understanding of this problem.

I Necessity of Speeding Up the Building and Fostering of a Socialist Market System [subhead]

I believe that we should analyze this problem from two angles: One is from the innate liaison between enterprise and market and the other is from the problems found in the opening up of the current market.

Under the conditions of a socialist planned commodity economy, the market plays an exceedingly important role vis-a-vis the enterprise. First, it provides an important link for the enterprise to realize its expansion of reproduction and increasing the value of its capital funds. Second, its holding capacity limits the production scale of the enterprise. Third, price, supply and demand, and competition acting as the basic constituent elements of market mechanism give signals to production in the enterprise, guide the enterprise to readjust and regulate production according to social needs, serve as a strong economic force urging the enterprise to improve the operation benefits of its production elements and promote the development of the enterprise's productive forces.

Here it is necessary to emphasize a basic special feature of the role of regulation by market mechanism. China takes the socialist economy as its principal body. As a result, planned economy and commodity economy as well as planned laws and value laws all coexist as essential economic elements internally in the socialist economic structure. Thus, in a socialist planned commodity economy, the regulatory role of market mechanism may exist in the capacity of a leading and guiding role in planned regulation. In this context of reciprocal liaison, it may be said that planned regulation and regulation by market mechanism are joined together. Hence this regulatory role of market mechanism may possibly not lead to the state of anarchy seen in capitalist production and the economic crisis of periodic surplus production. Naturally, to realize this point, there must be certain definite conditions which consist principally of the building of an economic management structure which is suited to the demands of socialist planned commodity economy and the formation of a correct economic development strategy. This does not mean that under the socialist system the regulatory role of

market mechanism may not be accompanied by a certain state of blindness in action but under normal conditions this blindness may be confined to a restricted scope.

Naturally, under the conditions of a socialist planned economy, the enterprise is still the basis of the market. The important manifestations of this basic role are: First, since the commodities dealt in market transactions are produced by the enterprises, basically speaking the capacity and composition of the market are determined by the conditions of the productive forces of the enterprises. Second, formation of the market system and the degree of its growth and development including the commodity market and markets for the production elements (including capital, labor, technology, information, real estate and so forth) are determined by the condition of development of the commodity producer, namely, the enterprises; prices, supply and demand, competition and so forth which are the basic elements of the market mechanism are all generated on the basis of the enterprise acting as the commodity producer; the ability of market mechanisms to play a directional role in production of the enterprises as the commodity producer. The above two points are surveyed from the general angle of the developed commodity economies including both those under capitalism and socialism. Third, if the market exchange relations are taken for survey as specially fixed socio-economic relations at the initial stage of China's socialist society, then the market's economic nature is determined by the enterprise's economic nature. At China's present stage, there are various forms of enterprises such as the socialist state-owned enterprises and collective enterprises as well as enterprises of individual workers, private capitalist enterprises and state capitalist enterprises. Related to this, in the market there exist exchange relations between enterprises of diversified natures.

The innate liaison between enterprise and market determines that logically reform should take the strengthening of the enterprise's vitality as the center but must also push in the same process the establishment of the enterprise's position as producer of commodities and the building of a market system. At present, China is confronted with the task of deepening the reform. This task is being carried out principally surrounding the central link of changing the operational mechanism of the enterprises, the purpose being to augment their vitality. This being the case, we can logically derive the following conclusion: That the innate liaison between enterprise and market and the situation and tasks of the current deepening of the reform demand that we should speed up the building and fostering of a socialist market system.

If we can analyze the existing problems in our building the socialist market system, we can further confirm this inevitability.

True, since 1979, we have already made a start in the building of a socialist market system and have achieved certain obvious development in respect of the opening

up of a commodity market which includes consumer goods and the means of production. For example, by the end of 1986, the number of categories of products under the control of the industrial mandatory plans of the State Planning Commission had been reduced from originally about 120 to 60 and the proportion they occupied out of the industrial output value dropped from 40 percent to around 20 percent. Correspondingly, the number of kinds of resources under the state's unified distribution had been reduced from the original 256 to only 20 and the number of kinds of material resources under the control of the departments had been reduced from 581 to 321. Thus, the ratio of the volume of material resources under the state's unified distribution out of the gross volume of material resources in the country had been greatly lowered. In this regard, compared with 1980, in 1986, cement dropped from 35 percent to 15.6 percent, timber from 80.9 percent to 27.6 percent, steel products from 74.3 percent to 47.1 percent and coal from 57.9 percent to 47.2 percent. This implied the expansion of the market for means of production. At the same time, the state had step by step carried out the readjustment and liberalization of the prices of commodities. For example, on the side of the prices of means of production, in recent years coal price has risen by 30.5 percent, pig iron, 30 percent, and steel products, 20 percent. From 1978 to 1985, prices of products of the extractive industry were increased by 50 percent, prices of products of the raw materials rose by 39 percent and prices of processing industries products rose by 11 percent. Simultaneously with readjusting the prices of means of production, the state also in part liberalized the prices of the means of production. In 1984, the state specified that regarding the prices of extra-plan means of production, the enterprises could fix them by themselves, subject to the provision that the fixed prices should not exceed the planned prices by 20 percent. Following this, in 1985 the provision was removed and the enterprises were allowed to follow the trade and the market. Thus, by the end of 1986, among the various kinds of commodities that had enforced floating prices the proportion in comparison with those still adhering to market prices was as follows: agricultural products, 65 percent; industrial consumer goods, 55 percent, industrial means of production, 40 percent (Footnote 1) (RENMIN RIBAO, 12 June 1987, p 5). It may thus be seen that so far as the commodity market is concerned, be it in regard to the scope of products entering the market or with reference to the prices of the most important constituent portions of the market mechanism, notable results have been achieved. At the same time, markets for the various important factors of production have begun to be developed.

However, the mission of building a socialist market system has not yet been fulfilled. According to Comrade Zhao Ziyang's remarks: "A socialist market system embraces not only markets for commodities such as consumer goods and means of production but also markets for important production factors such as capital,

labor, technology, information and real estate; a commodity market of a unitary nature cannot very well display the role of market mechanism. A socialist market system must also be competitive and opening up; a monopolistic or carved-up market cannot urge the commodity producer to increase his efficiency, while a closed-up market is disadvantageous to developing rational division of work inside the country or facilitating international trade." "Building up a socialist market system requires actively and steadily pushing price reform, and smoothing out the prices of commodities and the prices of the various important elements of production" (Footnote 2) (Zhao Ziyang: "Advancing Forward Along the Socialist Road With Chinese Characteristics," "Report to the 13th CPC National Congress," People's Publishing House, 1987 edition, p 29). Based on this demand, an examination of the current condition of the building of a socialist market system in China will obviously show the following problems: First, a perfect socialist market system requires that there must be a mutually suited development between the various commodity markets, between the markets for essential factors for production, and between the commodity market and the essential factors of production. At this moment in China many inconsistencies exist in this connection. On the side of the commodity market, in general the consumer goods markets are relatively developed whereas the commercialization of housing as the basic consumer good is only making a start; and in comparison with the market for means of production, the market for means of livelihood is much more developed. As for the market for essential factors for production, its degrees of fostering and opening up are much lower than in the case of the commodity market. This is also true of the capital market which is the nucleus of the market for essential factors for production.

Second, a perfect socialist market system requires the smoothing out not only of the price relations of commodities but also the price relations of the essential factors for production. In both regards, China still lags behind. For example, the prices of grain which forms the foundation of agricultural development are currently located at the low ebb of prices of agricultural products while the prices of products of the extractive industry which forms the basic industry are lower than those of the processing industry.

Third, a perfect socialist market system requires the existence of a suitable degree of competition on a basis of equality. Unfortunately at present in China there exists on the one hand a monopoly which is highly detrimental to competition in equality and on the other hand excessive competition. In addition to a monopoly in industry formed in the operations of a single or a minority of state-run enterprises, the type of monopoly mentioned also includes a monopoly partitioned among the regions. Naturally, the socio-economic character of this type of monopoly is different from a monopoly under capitalism. Nor is this type of monopoly the product of free

competition; rather, it may be said to be the manifestation of the traditional economic structure not yet having been basically reformed, and of a unified market not having been formed and competition not having been fully developed. As for the various kinds and forms of competition in inequality which have occurred from various causes in the course of reform and which have existed between the state-owned large, medium-sized, and small enterprises and between state-owned enterprises and other enterprises (including collective enterprises and private enterprises), they are frequent phenomena. So-called excessive competition principally refers to excessive competition in markets of long-line products or products in plentiful supply. In recent years, local governments and enterprises have invested large amounts of money in projects requiring a short production period and bringing about a rapid increase in income earnings. But due to the redundant location of production points and the scattered use of capital funds, very few of the projects have reached the requirements of dimensional economics. The rapidly rising industry manufacturing household electrical goods may be cited as highly representative in this regard. By so doing, competition has not achieved the results of progress in technology and in products and improvement on the scale and dimension of the enterprises. Therefore, it may be said that a monopoly without the foundation of competition and competition which cannot fully display the role of weeding out the weak have formed a special structure in China's market relations.

Fourth, a perfect socialist market system requires that the supply and demand relations in the various kinds of commodity markets can be brought into line within a definite range of fluctuation. But at present in China's commodity markets there are various instances of supply and demand not being in symmetry. For example, certain industries and trades producing goods which "have a short sales turnover period, are cheap in price and rapid in production" consistently have a surplus supply of goods despite their low benefits and a somewhat inflated state of operation whereas certain other industries and trades producing goods which are in short supply and reduction of which requires foresight and is subjected to rather stringent production conditions frequently have a short supply of goods. Again, for example, certain expensive consumer goods that yield large profits are abundant in supply, even to the extent of having to be stockpiled whereas in the case of certain cheap daily necessities that can produce only a small profit, they are frequently in short supply. The persistent existence of the phenomenon of supply and demand not falling in line with each other in the commodity market manifests the lack of a regulatory mechanism which can shift the essential production factors around between the industries producing goods in abundant supply and those industries producing goods in short supply and which can adjust and guide the direction of the market. Obviously, lack of symmetry is precisely the inevitable result

of the many imperfections of the current socialist market system (particularly the unhealthy development and fostering of the markets for the various kinds of essential production factors).

The above problem illustrates the following: First, due to a socialist market system still not being formed, as a producer of commodities the enterprise in reality does not possess true and complete autonomous power, such as the power of independently and autonomously (including autonomously fixing the prices) obtaining from the market various kinds of production essential factors and the power of selling the commodities (including certain basic means of production and residences as a basic means of living). Hence, it cannot be truly free from being subordinate to, and dependent on, the state's administrative organs and, as a matter of fact, its status as a commodity producer cannot be truly and wholly established.

Second, due to the socialist market system not yet being formed and particularly to the price (including commodity price and prices of the important elements of production) structure not yet basically reformed, the state lacks a transmission tool to carry out the indirect management of the enterprises. Thus, it is actually difficult to truly accomplish the feats of building and perfecting macroeconomic management based mainly on indirect control while the certain cases of indirect management already being enforced cannot be consolidated. Under the conditions of social gross demand clearly exceeding social gross supply, any mishap may cause a retreat to the old track of direct management and control.

Third, due to the socialist market system not yet being formed, the positive functions of market mechanism in such respects as regulating social production, improving the social distribution of resources, improving the operation and performance of the essential factors of production, curtailing the state of social gross demand exceeding social gross supply, and so forth cannot be effectively displayed. At the same time under the conditions of macroeconomic control not being strong enough, certain passive roles in liaison with the market mechanism can, on the other hand, fully display their roles and become important factors for aggravating the instability of the economy.

It can thus be seen that either from deepening the reform or stabilizing the economy, it is necessary to speed up the building and fostering of a socialist market system.

II. Steps in Speeding Up the Building and Fostering of a Socialist Market System

Based on the existing conditions of China's economic development and economic reform, we may make the following suppositions regarding the steps in speeding up the building and fostering of a socialist market system:

First step: Deepen the reform of the state-owned economy, and place the major points on pushing and perfecting the various forms of the contracted management responsibility system, improving and perfecting the operation mechanism of the enterprises, and augmenting the enterprises' vitality; carry out coordinated reform on the sides of the state's macroeconomic regulation and enlivening the market. Simultaneously, we must treat stabilizing the economy as the most important mission and be sure to produce results in this regard. By so doing, we can prepare the conditions for market reform to take larger steps subsequently.

Building and fostering a socialist market system on the one hand requires that on the side of the enterprises there must be a definite microeconomic foundation and on the other hand demands that on the macroeconomic management side there must also be definite conditions, but, more importantly, the major task is to build up a correspondingly magnanimous economic environment in which social gross demand and social gross supply maintain a fundamental balance.

Under the conditions of the traditional economic structure still not having been basically reformed, is it possible to build a relatively magnanimous economic environment? Some comrades have maintained a negative attitude in this regard. They have only seen that inflated investment is the chronic ailment of the traditional economic structure but failed to see that a correct economic development strategy could within a stated period exercise the function of stopping this chronic disease. In China, be it in a period of enforcement of the traditional economic structure or in a period of changeover between the new and old economic structures, thanks to the guiding role of a correct economic development strategy, in certain years (readjustment in 1957, readjustment after 1961 and readjustment in 1981) a relatively magnanimous economic environment was built.

Naturally, building in China a relatively magnanimous economic environment will take several years of tedious efforts. This is because in recent years national income distributed in monetary form has continuously and greatly exceeded the national income in the form of actual production, and in the circulation process large deposits of banknotes still need to flow back to the treasury. And what is more serious is that currently the trend of inflated investment and inflated consumption has not been halted. Obviously, it would take some time to solve such problems. It is for sure that even though a relatively magnanimous economic environment has already been built, if the traditional economic structure has not yet been basically reformed, then the state of social gross demand exceeding social gross supply will not be removed and as a result stabilizing the economy will still remain as a strategic task.

What has been mentioned above can only create the conditions to enable subsequent reform of the market to advance large steps forward and was stated with reference to the principal body of reform of the market

(particularly in regard to the formation of a market for means of production). This does not imply that market reform cannot be speeded up in certain aspects. For example, in realizing the commercialization of residences, establishment of a residence market can enable relatively large steps forward to be taken. This is because reform in this direction is not only unlike the building of a market for means of production which strictly requires a relatively magnanimous economic environment but also can invigorate the enterprises of the building industry which is a basic department in social production, can realize the improvement of the industrial structure, and can stabilize the market (through absorbing the people's purchasing power in the direction of buying residences). Additionally, this is because in this reform considerable experiences have already been accumulated.

Second step: After having formed a relatively magnanimous economic environment, it will be possible on the side of market reform (particularly in building a market for means of production) to take relatively large steps forward. Simultaneously, it will be possible to carry out corresponding reform in the areas of strengthening the enterprise's vitality and perfecting the macroeconomic management based principally on indirect control. By so doing, and after certain years' efforts, it will be possible to build a basic framework for a new economic structure.

Taking the above-mentioned two mutually related steps to speed up market reform meets not only the demands in deepening the reform but also demands in stabilizing the economy; it can speed up not only the process of building and fostering a socialist market system but also the process of reform of the whole economic structure.

III Discussions on Certain Different Viewpoints [sub-head]

Here it is necessary to bring up two one-sided viewpoints which have successively appeared on the problem of market reform and which have been circulated fairly frequently: At the time of the start of urban reform, certain comrades, based on the rural experiences, and concurrently with expanding the power of the enterprises, placed high hopes on price reform, in the belief that once the twisted prices were rectified a new situation of market mechanism displaying an all-around role would be created and such problems as the enterprises' vitality and structural maladjustment would be automatically solved. Subsequently the appearance of the double-track price system, that is, the parallel operation of planned price and market price, was an attempt through regulation by means of increasing the volume of goods in short supply to enable market price and planned price to become united and thus gradually to reach equilibrium in supply and demand and at the last step to basically liberalize or open up the prices. But actually the reform on certain prices which had taken place did not display the functions which people had expected. Moreover, due to social gross demand exceeding social gross supply for several years without being rectified while the increase in

supply of the means of production in short supply progressed slowly, the realization of the original plan of market and planned prices ultimately uniting was delayed. With this as background, certain comrades turned around and offered the view that establishment of market mechanism was a process of natural evolution, could not be speeded up by artificial means and would take several decades for its realization under the conditions of the double-track price system. According to such a viewpoint, the suggestion to speed up the building and fostering of a socialist market system would seem to be unworkable.

In retrospect, it may be found that the viewpoint which believes that if only we can liberalize the prices, then an integrated market mechanism can be formed, the enterprises can be invigorated and the state of imbalance between basic facilities and direct production be basically changed is a sort of subjective thinking not in conformity with reality. Despite the price reform that has been enforced already having played an important role in such directions as invigorating the market and enterprises and promoting socialist modernized production and construction, in fact to hope that all the above-mentioned problems can be solved through price reform can hardly be realized.

Generally speaking, the degree of the fostering of the market system is determined by the degree of development in commodity production. Hence, formation of an integrated market mechanism is inseparable from the development of commodity production. Speaking of enlivening the enterprises alone, although market reform may solve the problem of the autonomous power of the enterprise in such respects as purchasing the essential factors of production and marketing products (including the price problem), yet it cannot completely solve the economic status of the enterprises as a commodity producer nor completely solve the enterprise's microeconomic structure. Moreover, what the social forms of prices, supply and demand, and competition which constitute the basic elements of market mechanism reflect is the economic relations of the commodity producer's economic main body. Seen from this context, the formation of market mechanism and its role both depend on the basic transformation of the microeconomic foundation.

As for the solution of the shortage in supply of certain products and the imbalance between basic facilities and direct production which it reflects, liberalization of prices naturally plays an important role, but depending on this alone cannot completely solve the problem. In this regard, reliance must also be laid on the building of a microeconomic foundation, that is, the organization of a group or bloc of large-scale enterprises. Since people have seldom touched on the problems in this connection, we intend to make a little analysis of them here.

An important special feature in China's socioeconomic life at present is shortage in supply of certain products

and this type of shortage carries a certain new implication. In the theoretical discussions of the Spanish economist Ke-er-nai [4430 1422 1143], shortage was held as a common special feature of the traditional economic structure. The shortage he mentioned generally referred to supply lagging behind demand caused by the effects of the old structure (such as existence of budgetary soft restrictions). Here we need to emphasize another meaning or implication, that is, shortage formed by imbalance in supply. In 1979 when the reform started, the "bottleneck" departments in the national economy included agriculture, consumer goods industries, communications, energy, basic raw materials industries, and so forth. Not long afterward, agriculture and consumer goods industries showed a rather great development but the shortage conditions in energy, communications and basic raw materials industries made no substantial improvement. The sustained existence of shortages not only made the country's economy unable to free itself from the dilemma of the shortage in supply of goods restricting the scope of development of the whole economy and effectively delayed the speed of economic growth and of structural transformation but also brought extremely harmful effects to enterprise reform and opening up of the market. On the one hand, the perching high and refusal to lower prices of products in short supply has become an important motive force for the rise in prices and aggravated the fluctuations in the macroeconomic levels; at the same time the double-track system evolved into a protracted and lasting seesaw battle, increasing the maneuvering space for speculative and gambling activities of various kinds. On the other hand, shortage compels the enterprises to depend on the government's planned distribution of resources. At present, in the government tactics to control the enterprises, the most realistic and effective ones are the mandatory plans on materials in short supply. Obviously, this shortage of a structural nature cannot be entirely explained by the price system being ossified. This is because in recent years these products have evinced the largest extent of price increase (although the rise has not reached the peak that it should). But the price rise has not brought along a corresponding increase in supply.

This shortage of a structural character is undoubtedly related to the defects in the investment structure existing in the course of reform of the economic structure. In other words, enterprises after the extending of their power and local governments after the separation of power in administration usually encounter various limitations when entering into or confronting the industries and trades producing products in short supply, the most important of which are the lack of foresight and insufficient funds. The departments producing products in short supply cannot but rely on investments from central finance but with the proportion of investments from central finance being reduced year by year the speed of expansion of departments producing the goods in short supply can hardly keep pace with other departments. Besides, investments from central finance are still facing the defects of low investment returns.

Nevertheless, this shortage of a structural nature is also related to the absence of large-scale enterprise blocs or groups. According to international experiences, after economic development has entered into the stage of rapid changes in structure, the tasks of allocating of resources between the industries and of developing new industries are principally borne by large-scale enterprise blocs. This law is conversely verified by the fact that in China the absence of large-scale enterprise blocs has rendered it difficult to ease the contradictions of a structural character. If the role of large-scale enterprise blocs in industrial readjustment is not speedily put into play, it will be difficult in the near future to change the condition of there being shortages of a structural nature and in the long run the course of transforming the structure and putting it on a higher plane will be delayed and at the same time fostering of the market will likewise be impeded, that is, it will be difficult to form an environment for effective competition which has the precondition of being suitably concentrated.

Based on the above-mentioned analysis, we can reach the following conclusion: formation of a socialist market system depends on the development of socialist commodity production; the work of speeding up the building and fostering of a socialist market system cannot be summed up as purely carrying out market reform.

However, if we were to take the formation of a socialist market system as being entirely the natural evolution of economic development and negate the role of market reform in this connection then we would be going to the other extreme.

In reality, those comrades holding this viewpoint have entertained the belief that bypassing the difficulties of market reform can also obtain important successes in economic reform and may even make it possible to establish a new basic framework for the economic structure. The experiences in economic reform in certain socialist countries in East Europe have also fully attested

to the fact that if important steps are not taken in market reform, then the whole economic reform can hardly achieve any great or important development.

As for the idea advanced by certain comrades that we must under the conditions of enforcing the double-track price system devote several decades to complete the market reform, its correctness is rather doubtful. Experiences of the economic reform in China have shown that the double-track price system had brought many active changes to China's economic life. For example, the enterprises have begun to face the market with an unprecedented scale, the profit motive has been obviously augmented, the supply of certain products originally in short supply has increased and the state of the coexistence of stock-piling and insufficiency has been changed. On the other hand, as a transitional measure at a time of changes in the structure, the double-track price system has caused certain confusion. For example, in the case of certain enterprises which have obtained certain definite independent benefits, they would encroach upon the state's interests through using the planned price track on the input side and resorting to the market price track on the production or output side. Certain departments, enterprises and individuals likewise encroached upon the benefits of the price reform and aggravated the market's instability through purchasing products in short supply at low prices and eventually selling them at high prices. Under the double-track system, market prices are usually higher than the average level of normal prices and the enterprises receiving lesser benefits from the planned price track on the input side are subjected to the enormous pressure of a rise in production cost, and in reality are discriminated against in price. Quite obviously, it is inadvisable to enforce the double-track price system for long. Prolonging the length of time for market reform in fact inevitably prolongs the length of time for reform of the entire economic structure and this greatly contravenes the spirit advocated in the 13th CPC National Congress of "speeding up and deepening the reform."

East Region

Fujian's Xiamen To Introduce Free Land Transfer
*HK2706084188 Hong Kong SOUTH CHINA
MORNING POST (BUSINESS POST) in English 27
Jun 88 p 1*

[By Cheung Lai-kuen]

[Excerpts] Regulations allowing the free transfer of land will be introduced in Xiamen, the coastal city in Fujian Province, to facilitate the city's first land auction on Thursday.

Xiamen is the fourth city in China to hold land auctions. The first three were the Shenzhen Special Economic Zone, Shanghai and Fuzhou.

According to a spokesman for the Xiamen Land Administration Bureau, foreign investors are welcome to participate at the Xiamen auction. He said that there was a loss of interest from overseas investors, especially from Taiwanese developers.

All foreign companies interested in the auction must register with the Xiamen Land Administration Bureau by tomorrow. The deadline for domestic firms was yesterday.

A registration fee of 20,000 yuan (about HK\$40,000) is required. However, this will be returned if the participants fail to make a successful bid.

Up to last Friday, there were about 25 registrations including four from Taiwan and one from a Hong Kong-Singapore joint-venture company, the spokesman said. He added that more registrations were expected before the deadline. [passage omitted]

The spokesman said the land usage conditions were according to regulations on transfer and sale of land—with reference to the right to use state-owned land in Xiamen City—which were announced recently by the Xiamen authorities.

According to the new Xiamen regulations, the maximum tenure for industrial land will be 40 years, 50 years for commercial and transportation areas, 60 years for technological, educational, cultural and health purposes, and 70 years for residential property. Other categories will be allowed 30 years.

Payment will be in different currencies, depending on the purchaser. In Shenzhen only foreign currency was accepted, the spokesman said.

Overseas investors must pay in foreign currency but a discount will be granted. For instance, he said, the exchange rate would be very close to the market rate.

Chinese and overseas joint ventures can pay in both yuan and foreign currency with the ratio based on the proportion of the equity held in the joint venture by each side.

The spokesman did not disclose present rental charges for land in Xiamen. However, he said they were reasonable enough to attract foreign investment into the city.

He added that land transfer would be carefully monitored and controlled by the Xiamen Government in order to prevent any speculation in real estate.

The spokesman said the Xiamen Land Administration Bureau was planning a second land auction for September this year and this would be held in conjunction with a foreign investment and trade symposium.

Jiangsu Congress Examines Government Reports
*OW2606004088 Nanjing Jiangsu Provincial Service in
Mandarin 2200 GMT 21 Jun 88*

[Text] The third session of the Jiangsu Provincial People's Congress Standing Committee held small group meetings to examine and discuss two reports made by the provincial government. One of them was on the situation of Jiangsu's opening to the outside world, development of an export-oriented economy and reform of the foreign trade system. The other was on the implementation of the regulations of Jiangsu Province for management of water conservancy projects.

Upon learning of the new circumstances and new problems in the Foreign Trade Department after the implementation of a contract system, many committee members held that a task of top priority is to [words indistinct]. At present, there are contradictions between place of origin of raw materials and place of processing, as well as lack of cooperation among different regions. In order to reform the foreign trade system, it is essential to eliminate barriers between administrative divisions and energetically develop cooperative groups of trade, industry, agriculture and science and technology. Governments and the departments concerned should fully perform their functions to get scattered foreign trade goods producers and dealers organized and help them enhance their competitive power.

During their deliberation of the report on the implementation of the regulations of Jiangsu Province for management of water conservancy projects, the committee members expressed satisfaction over the efforts and the remarkable achievements made by the government in implementing this local legislation during and prior to the past year. They urged the governments at all levels to implement these regulations in an even better way while enforcing the Water Law.

Political Reform in Shandong's Weihai City
SK2506011088 Jinan Shandong Provincial Service
in Mandarin 2200 GMT 23 Jun 88

[Text] Based on the central authorities' requirements concerning political structural reform, Weihai City plotted the general program for political structural reform from the time when the new city was to be built. It has blazed a road of focusing on hot subjects to carry out work and focusing on key areas to coordinate the work in other areas and has established a new pattern of simplified organs, efficient cadres, and light responsibilities.

Under the city party committee, only five functional organs were established: the General Office, the Research Office, the Organization Department, the Propaganda Department, and the United Front Work Department. The establishment of government organs has embodied the change of function from administration to service; with the departments charged with overall responsibilities, the consulting departments, the supervision and inspection departments, and the law enforcement departments being strengthened and the economic management departments being weakened.

A great number of intermediate responsible bureaus, such as the First Light Industrial Bureau, the Second Light Industrial Bureau, and the Chemical Industrial Bureau, have not been established. The number of city-level departments and their staffs was more than 50 percent smaller than the conventional number.

The city has also introduced the risk-taking mechanism into the management of cadres and instituted the system of trial use, employment through open invitation, and selection through examination. The trial use system has been applied to all of the more than 230 cadres at and above the section level of party and government organs. They will be employed for a fixed term of office after they go through a 1-year trial use period and prove qualified after appraisal.

Weihai has also carried out effective experiments in separating the party and government. In city-level organs, relations between the city party committee and the city People's Congress, government, and other organizations have been brought into better balance. It has not designated deputy secretaries of Standing Committee members who hold no government work but who take charge of government work, and it has established party committees or leading party groups in government departments. These departments are directly responsible to the city government and exercise administrative functions.

Fully embodying the mass character, mass organizations have done their work independently under the leadership of party committees. Enterprises and institutions directly under the city have extensively popularized the director or manager responsibility system and the administrative leader responsibility system.

Party organizations of the more than 230 enterprises and institutions directly under the city have been incorporated in city, district, county, neighborhood, and town party committees and have been put under the jurisdiction of the areas where they are located.

Thanks to continuous efforts to deepen political structural reform, Weihai has established new work styles among their departments and cadres which have brought about changes in various fields.

Shanghai To Investigate Corruption Complaints
OW2606202188 Beijing XINHUA in English
0608 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)— Special reception offices opened in Shanghai Friday to hear complaints from local residents on corruption and bribery among government officials, the "PEOPLE'S DAILY" reported today.

The paper noted that Shanghai, China's leading business center, is the first city to set up offices of this kind to safeguard the prestige of the government and consolidate achievements of the economic reforms.

The offices, operated under the auspices of the municipal People's Procuratorate, have received more than 60 complaints, mostly dealing with government officials and enterprise managers who have taken advantage of their positions for personal gain.

Last year two-thirds of the corruption and bribery cases in the city involved leading officials of government institutions.

The incidence is increasing in the city, the paper said.

Citizens lodging a complaint are protected by law.

Central-South Region

Guangdong Plans Corruption Report Centers
OW2406214788 Beijing XINHUA in English
1500 GMT 24 Jun 88

[Text] Guangzhou, June 24 (XINHUA)— Offices will be set up in all the procuratorial organs above the county level in Guangdong Province this year to hear reports of bribery and corruption, and related offences from private citizens.

Xiao Yang, chief procurator of the Guangdong People's Procuratorate, made this announcement here today. He explained that this is in line with the policy of the central authorities wiping out corruption to build "clean and honest government", as well as reforming the procuratorial system.

Since the end of last year, such centers have already been established in Shenzhen, Guangzhou, Shantou and Meizhou Cities. [words indistinct] handled a total of more than 1,000 cases and have dealt a heavy blow [words indistinct] criminals.

The Supreme People's procuratorate has recommended the practice and instructed procuratorates throughout China to follow suit.

Yang Ziyuan Elected Mayor of Guangdong's Capital
HK2506030688 Beijing ZHONGGUO XINWEN SHE
in Chinese 1248 GMT 24 Jun 88

[Report: "Yang Ziyuan Elected Guangzhou Mayor"—ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 24 Jun (ZHONGGUO XINWEN SHE)—At the mayorial election held during a session of the Guangzhou Municipal People's Congress today, 60-year-old Yang Ziyuan was elected mayor of Guangzhou with over half of the votes.

Although there were two candidates—Yang Ziyuan and Lei Yu—competing for the post of mayor this time, the election proceeded in good order. All the voting deputies quietly and carefully filled in their votes at the voting hall.

Before official voting began, a ceremony was held to let deputies meet the candidates. Yang Ziyuan has lived and worked in Guangzhou for more than 40 years holding leading posts at the city Economic Commission, Foreign Economic Relations and Trade Commission, and city government. During the meeting, he told the deputies that the mayor would be faced with the in-depth development of reform, the speeding up of the opening up process, and the arduous task of price reform. "I am familiar with Guangzhou, I love the city and have full confidence in its future," he said.

Lei Yu, the other candidate nominated, told deputies during the meeting that he had no ambition to be mayor because he knew his own limited ability. He recommended Yang Ziyuan as the most suitable candidate for mayor. Talking about repeated setbacks in his political life, he said these serious tests have enabled him to evaluate correctly ups and downs in his political career, and his hope is to devote all his energy to the opening up and reform of Guangzhou. He requested deputies to vote for him in the forthcoming election for vice mayors to be held on 27 June.

Sources here saw the nomination of two candidates for election of mayor by the current People's Congress a normal procedure and an expression of more open politics and a stronger sense of democracy in Guangzhou.

During today's election, former Guangzhou Vice Mayor Lai Zhuyan (60 years old) was elected chairman of the Standing Committee of the Guangzhou Municipal People's Congress; 52-year-old Deng Guoji [6772 0948 7535] was elected president of the municipal Intermediate People's Court; and 57-year-old Guo Qi [6753 4388] was elected chief procurator of the municipal Procuratorate.

Guangxi Hit by Severe Drought; Troops Aid Farmers
OW2606195388 Beijing XINHUA in English
0614 GMT 25 Jun 88

[Text] Nanning, June 25 (XINHUA)—While central eastern China is reeling under torrential rainstorms, a drought rarely seen for decades has hit south China's Guangxi Zhuang Autonomous Region. Crops have withered and drinking water supplies have dried up in some places, according to local reports reaching here today.

June is normally a rainy season but the region did not receive a drop of rain for half a month. The dry periods have been longer than those in 1960 and 1963, the two severest droughts since the founding of new China in 1949.

The drought has affected 296,000 hectares of early rice, about 27 percent of the sown area in the region, 214,000 hectares of maize, 58 percent of total sown areas, and 66,000 hectares of peanuts, 60 percent of the total sown area.

In Fusui County, one of the worst struck areas, about 72 percent of early rice fields are cracked. Drinking water has to be shipped in from neighboring counties for the 50,000 people and 40,000 head of cattle.

Meanwhile, the industrial output in Guangxi has dropped as a result of the reduced local hydro-electric power generating capacity.

Army troops are helping farmers water crops and build water conservancy projects.

Henan Province Demotes Inefficient Officials
OW2606033088 Beijing Domestic Service
in Mandarin 0800 GMT 21 Jun 88

[Text] According to a JINGJI RIBAO report, the Henan provincial government has recently decided to demote 14 provincial department heads and deputy heads since their job performance was rated as poor.

The First Session of the Seventh Henan Provincial People's Congress elected the new leadership of the provincial government in January this year. According to relevant regulations, all provincial department heads should be reappointed. The Henan provincial party committee and government have set up a Cadres' Performance Appraisal Committee. In the past 4 months,

more than 60 members of the committee have evaluated the overall performance of the leading cadres of 42 provincial departments and bureaus. Based on the committee's overall and thorough appraisal, the Henan provincial authorities recently finalized a namelist of the new leading members of provincial departments and bureaus.

Fourteen department heads and deputy heads were demoted due to poor job performance. Of them, department heads have become deputy heads while 10 deputy heads have been demoted to the posts of section chiefs. The demoted cadres are roughly of three types. One is a technical cadre who has special knowledge but lacks leadership. The second type consists of those who lack the spirit of reform and openness and fail to take responsibility, make their position known and show decisiveness. The third type consists of those who lack a good quality and fail to assume a correct attitude towards their duty, power, and position.

Hubei Governor Discusses 8th 5-Year Plan
HK2606032788 Wuhan Hubei Provincial Service
in Mandarin 1130 GMT 25 Jun 88

[Excerpts] A provincial forum on planning, which concluded yesterday, held serious discussions on the province's arrangements for the Eighth 5-Year Plan and the question of changing the functions of planning management. Governor Guo Zhenqian made an important speech on these two matters.

Guo Zhenqian said: The Eighth 5-Year Plan period is a crucial period during which China will switch from the old to the new systems and carry out the second step in its economic development strategy. It will also be an important period when Hubei seizes the opportunity, greets the challenge, and lays the foundation for the strategy of rising abruptly in central China. [passage omitted]

The guiding idea for the Eighth 5-Year Plan arrangements in Hubei is: Vigorously boost the province's economic strength by persevering in making reform dominate the overall scene and speeding up the pace of reform, opening up, and development; improve the overall quality of the national economy by persevering in integrating economic, social, and ecological returns, relying on the progress of science and technology, and strengthening scientific management; and stimulate long-term, stable, and coordinated development of the province's economy by readjusting and optimizing the industrial structure and rationally arranging the vital elements of the productive forces.

In line with this guiding idea, during the Eighth 5-Year Plan, we must step up key construction work and develop reserve strength for economic development. We must strengthen the agricultural foundation unswervingly. In primary industries, we must continue to step up the construction of electric power and raw materials.

In infrastructural construction in communications, we must improve the overall capacity and returns of integrated land, water, and air transport. We must improve the quality of light industry and actively develop consumer goods industries based on food, textiles, clothing, and consumer durables. We must promote the progress of science and technology and scientific management and improve social, economic, and ecological returns. We must speed up the effort to open up to the world and expand foreign economic relations and trade.

On changing the functions of planning management, Guo Zhenqian pointed out that, in accordance with the central and provincial party committees, economic development strategies and the demand for establishing a new economic operational mechanism in which the state regulates the markets and the markets guide the enterprises, the planning commissions throughout the province should strive to turn the planning departments into economic general staff organs grasping major matters, organs of comprehensive balance geared to the economic activities of the whole of society, and organs of comprehensive regulation and control focusing on indirect controls. The functions of planning management should be changed in the following respects:

1. Reduce direct control of microeconomic activities and concentrate efforts on tackling major matters. In the future, planning management should be focused on studying and formulating development strategy, medium- and long-term development plans, and industrial policies, and on promoting comprehensive macroeconomic balance, especially in total social supply and demand.
2. Step up supervision and regulation and control of major economic activities throughout society. There must be definite measures for regulation and control. The provincial planning commission should work to do a good job in balancing finances, credit, materials, foreign exchange, and so on.
3. Step up the comprehensive use of the economic levers. Exercising indirect regulation and control actually means using the economic levers such as prices, tax, profit, wages, interest rates, exchange rates, and so on to regulate and control market supply and demand and its fluctuations.

Guo Zhenqian stressed: The provincial Planning Commission is an important functional organ of the new provincial government for managing the province's entire economy. To act well as a general staff department and truly become an organ of comprehensive balance and comprehensive regulation and control, it must first seriously implement the decisions of the provincial party committee and government and actively fulfill all its assigned tasks. [passage omitted]

Hubei's Guan Guangfu Airs Views on Planning
HK2706013788 Wuhan Hubei Provincial Service
in Mandarin 1130 GMT 26 Jun 88

[Excerpts] On the morning of 24 June, travel-stained from his tour of southern Hubei, provincial party committee Secretary Guan Guangfu held a forum and dialogue in the Wuchang Hongshan Guesthouse with the directors of prefectural and city planning commissions attending the provincial conference on planning. [passage omitted]

Guan Guangfu asked: In accordance with the notion that the state should regulate the markets and the markets should guide the enterprises, how do you reckon the development of reforms in guidance planning, and how great a role should mandatory planning play?

Some responsible comrades of the Huangshi and Yichang city planning commissions and the provincial Planning Commission gave their views on this issue. They held: The general trend is that, the richer the country, the smaller the role of mandatory planning. However, viewed in light of China's present conditions, the government should still hold onto a number of materials related to the national economy and the people's livelihood.

Guan Guangfu greatly appreciated this view. He suggested that comrades engaged in planning should study this issue. [passage omitted]

When the topic of conversation shifted to the recent rush to buy things in the Wuhan markets, Guan Guangfu reminded the participants to do more market research work and reflect the markets more in their planning. The enterprises should be constrained and guided by the markets.

He said: Holding meetings and taking administrative measures are low-level affairs. The high-level method is to guide the readjustment of the economic structure and the product mix through studying and formulating a suitable industrial policy. The industrial policy is an extremely important means of macroeconomic regulation and control. Hubei cannot stand up in central China without a good industrial policy. In the past, the provincial authorities, including myself, failed to attach sufficient importance to Hubei's underground resources. When studying work, we paid attention to what is on the surface and neglected what is underground. [passage omitted] I will pay attention to studying the exploitation of underground resources in the next stage of work. You of the planning commissions should consider this question and formulate new schemes.

Guan Guangfu continued: There is another issue. We must prepare to take over some products, capital, and markets from the coastal regions. Some coastal processing enterprises are tending to shift to the interior. Hubei

has the conditions to take them over. The planning departments should take over anything that helps to develop the coastal strategy and to promote local economy. [passage omitted]

Southwest Region

Militia, Reserve Service Develops in Southwest
OW2506024788 Beijing XINHUA Domestic Service
in Chinese 1215 GMT 24 Jun 88

[By reporters Gai Yumin and Nie Nianxin]

[Text] Chengdu, 24 Jun (XINHUA)— The three provinces and one region in the southwest are making headway in developing the work of militia and reserve service while exploring new ways to improve it. The millions of militiamen have become a major force in safeguarding the frontier and vitalizing the economy in the southwest.

During the past few years, Yunnan, Guizhou, and Sichuan Provinces and Tibet Autonomous Region have boldly explored ways to improve the work of militia and reserve service under the new situation and have summed up some fresh experience in the process of practical reform. The Guangnan County People's Armed Forces Department in Sichuan has found a new way to develop militia work, that is, "building up and mobilizing the militia to work for the four modernizations," which has been praised by Comrade Zhao Ziyang.

The Zunyi Military Subdistrict in Guizhou has conducted a widespread campaign to "use production to support the militia force." The achievement of this campaign was fully affirmed by Yang Shangkun, permanent vice chairman of the Central Military Commission, when he was making an inspection there. By popularizing these reform experiences, the Chengdu Military Region has brought about a historical change in the guiding principle for militia and reserve service work in the entire military region.

Proceeding from the overall strategic interests of long-term political stability and order, all localities have, on their own initiative, included the reform of the work of militia and reserve service in the overall reform objectives for their respective localities. They have led and mobilized their militia to work for the four modernizations, focusing on economic construction. Statistics show that in the past 2 years the three provinces and one region in the southwest have organized over 10,000 militia groups to help the poor. As a result, some 440,000 poor families have been helped to shake off poverty and become better off. In addition, [figure indistinct] village and town enterprises have been operated with the assistance of the militia or been established by the militia, and some 2,000 local construction projects have been built by the militia on a contract basis. The militia has thus played a significant role in vitalizing the economy in the southwest.

Through continued readjustment and reform of the work of militia and reserve service, the militia forces in the three provinces and one region in the southwest have become still better. They are more rationally stationed, and their structures are more reasonable. Of the reservists, the number of combined service [he cheng 0678 2052] and special technical soldiers has risen gradually to 22.5 percent. Militia training bases have appeared in all counties. Training bases are now available for those on reserve duty. In some areas with better conditions, automatic command systems have been set up. The militia in the southwest has fast reactions and independently combat capabilities.

The Tibetan Plateau has a vast expanse but few people, and only poor transportation facilities. In an exercise for supporting the frontier held last year, it took only 3 days to assemble several thousands of militiamen from eight counties. In January this year, an extraordinary train crash occurred in Yunnan. In only 1 hour after being notified of the accident, the Qujing Military Subdistrict and the Qujing People's Armed Forces Department assembled and dispatched nearly 1,000 militiamen to the scene to do rescue work. The quick speed with which the militiamen reacted to the call was exceptional. In the past 2 years, the militia on the frontline of the Yunnan frontier has fought on 53 occasions, either independently or by coordinating with PLA units. It killed or wounded 61 enemy troops, captured 25 others, and seized a lot of weapons and munitions. Five militia units and three militiamen won the title of heroic models. Some 65 militia units and 951 militiamen have performed glorious meritorious deeds. All of them have contributed conspicuously to the defense and construction of the border regions.

Tibetans Develop Diversified Economy
OW2406224988 Beijing XINHUA in English
1456 GMT 24 Jun 88

[Text] Lhasa, June 24 (XINHUA)—A diversified economy is developing rapidly in the Tibet Autonomous Region and nearly one-third of Tibetan peasants and herdsmen's income comes from various types of rural enterprises, an official of the regional government said here today.

According to statistics issued by the government, last year the region's income from rural enterprises was 241.05 million yuan (about 63 million U.S. dollars), including 127.89 million yuan from rural industry. But in 1980 the income from this sector was only 37 million yuan.

In Nagqu County there are six households which have two lime kilns, with which they provide building companies with 47 truckloads of lime each year. Their combined income is about 32,900 yuan a year, a local official said.

So far, there are about 300 such household enterprises with 4,350 employees in Tibet. They are engaged in processing of agricultural and animal products, transportation, construction, handicrafts, commerce and other service trades.

The catering trade is flourishing in the region, and now there are 874 households or household groups involving 2,836 people engaging in this trade.

The government of Zalang County has allotted 110,000 yuan to purchase 2,200 woolen-fabric looms and trained 1,320 people to operate them.

Teachers Nationwide Volunteer To Work in Tibet
OW2606121688 Beijing XINHUA in English
1059 GMT 26 Jun 88

[Text] Lhasa, June 26 (XINHUA)— Since 1974 about 3,000 primary and high school teachers from across China have volunteered to work in Tibet to help improve the education in the region.

The assignments have been for two-year terms but many teachers, impressed by the diligence of Tibetan teenagers, have opted for extensions.

The volunteer educators have also helped local teachers acquire modern teaching methods and have given tips on growing vegetables and broadening the Tibetan diet.

North Region

Hebei's Wang Yugong Gives Court Work Report
SK2406035688 Shijiazhuang HEBEI RIBAO
in Chinese 31 May p 3

["Excerpts" of work report of the Hebei provincial Higher People's Court, given by Wang Yugong, vice president of the Hebei Provincial Higher People's Court, at the First Session of the Seventh Hebei Provincial People's Congress on 28 April 1988]

[Excerpts] Deputies:

Entrusted by President Zhang Pingdong, I would like to give a report on the major work of the People's Court over the past 5 years to this session for discussion.

Since the First Session of the Sixth Hebei Provincial People's Congress, held in April 1983, the people's courts at all levels throughout the province have deeply launched a struggle to deal strict blows to serious criminal and economic offenses in line with the resolutions of the various sessions of the sixth provincial People's Congress and the functions and powers given by the Constitution and laws, conscientiously carried out economic and civil and administrative judicial work, actively strengthened the self-cultivation of the people's courts, continued to improve activities to enforce laws,

strived to raise the judicial work level, and played an active role in serving reform, opening up, and the socialist modernization construction.

1. On criminal judicial work.

During the past 5 years, provincial people's courts at all levels conscientiously implemented the Criminal Law, the Law on Criminal Procedures, and the relevant decisions of the NPC Standing Committee; actively carried out judicial activities; completed the handling of 75,642 criminal cases, and sentenced 88,049 criminals. Among them, 4,683 persons were given the death penalty (death sentence includes a reprieve) or life imprisonment, 29,719 persons were sentenced to fixed-term imprisonment of more than 5 years, and 52,972 persons were sentenced to less than 5 years of fixed-term imprisonment or other kinds of penalty. [passage omitted]

Since 1984, the province's rate of criminal incidents has stabilized at about 3 per 10,000 of the total population for 4 successive years, a decrease of 2 per 10,000 from the period before the "struggle to deal strict blows to criminals." Judging from the courts' handling of cases, the number of hooligan and rape cases declined remarkably. However, vicious cases such as murder, gang-raping women, and robbing public and private belongings often occur in some localities, seriously threatening the safety of the people's lives and property. These cases show that our struggle against serious criminal offenses is a long-term, arduous, and complicated one. We should be soberly minded, continue to implement the principle of dealing heavy and quick blows to criminals in line with the law, and deal strict blows to serious criminal activities.

While dealing strict blows to serious criminals, we deeply launched a struggle against serious economic crimes. During the past 5 years, the province as a whole handled a total of 12,067 economic cases, of which 6,813 cases were theft and swindling cases, 2,974 were corruption cases, 612 were bribery cases, 644 were embezzlement and profiteering cases, and 192 were cases of tax evasion or refusing to pay taxes. During this period, we sentenced 14,820 economic criminals, of whom 3,402 were given the death sentence (death sentence includes a reprieve), life imprisonment, or more than 5 years of fixed-term imprisonment, and 806 criminals were involved in an illicit sum of more than 10,000 yuan, and 20 criminals were cadres at and above the county and regimental level. Through court decisions, we recovered more than 58.79 million yuan in economic losses for the state. [passage omitted]

2. On economic judicial work.

In order to cope with the new situation of reform and opening up, the people's courts at all levels throughout the province actively strengthened economic judicial

work, universally established economic tribunals, readjusted and reinforced the judicial forces, summed up and popularized experience, and enabled this work to be comprehensively carried out. During the past 5 years, the province as a whole accepted and heard 65,799 economic disputes, and settled 57,328 disputes. The rate of settling economic disputes was 87.1 percent. These economic cases involved more than 86.4 million yuan.

Along with our unceasing efforts to deepen the economic structural reform, economic disputes became more extensive and the sum involved in the disputes became greater. In 1987, the province as a whole accepted and heard a total of 19,978 economic disputes, which was basically the same as 1986, or an increase of 2.3 percent over 1984. These economic disputes were caused by imperfect contracts, creating disputes in the rights and obligations between both parties. Some were caused by one party's failure in observing the principle of honesty and trustworthiness and in respecting social morality. They arbitrarily tore the contracts to shreds. Still others were caused by poor operation. Some enterprises could not pay off their debts and were unable to honor the contracts. [passage omitted]

3. On civil judicial work.

[Passage omitted] In 1987, the province as a whole accepted and heard 64,947 civil cases, an increase of 10.5 percent over 1986. Thanks to the implementation of the Land Management Law, we strengthened land management. The number of land cases decreased by 24.6 percent. [passage omitted]

Administrative trials marked the important development of the socialist democratic politics and the legal system and constituted one of the important tasks of the people's courts. This work involved many aspects, including public security management, urban construction, environmental protection, taxation, banking, protection of natural resources, communications, transport, food hygiene, and labor disputes. These cases were complicated and involved many specialized fields. So far, courts have handled for prosecution more and more administrative cases. In order to safeguard the socialist legal system, guarantee the administrative organs to exercise their functions and powers in line with the law and to protect the legal rights and interests of citizens, the provincial court has established administrative tribunals. In addition, it has also called on all intermediate people's courts and grass-roots people's courts to establish administrative tribunals in line with their practical needs and possibilities. In 1987 the province as a whole completed 614 administrative cases, of which 160 were administrative cases concerning public security, 387 were cases concerning land administration, and 67 were cases concerning communications and transport or other administrative cases. Through handling these cases, we initially gained some experiences.

5. On appeals, people's letters and visits, and policy implementation work.

It is stipulated in the Constitution and the law that citizens and legal people have the right to appeal to the higher authorities the court verdicts and decisions which come into force. Over the past few years, we have continued to improve and strengthen our filing of appeals and handling people's letters and visits and set a time limit for handling appeals in line with the characteristics of the cases and our province's actual situation. In general, all cases concerning people's appeals should be completed within 3 months, or within 6 months at the latest. [passage omitted] During the past 5 years, the province as a whole handled a total of 25,044 criminal appeal cases, of which 13,932 cases remained unchanged and retained the original verdicts. We changed the verdicts of 7,505 cases, and cancelled or handled with other methods 3,607 cases. During this period, we also handled 5,946 civil and economic appeals, of which 2,421 cases kept their original verdicts. We changed the verdicts of 723 cases, and cancelled or handled 2,802 cases through mediation or other means. [passage omitted]

Fellow deputies, the the past 5 years was a period of comprehensive reform. During that period, we witnessed unceasing improvements and development in the socialist legal system and the courts' efforts to further enforce law. Along with the developing and changing situation and the unceasing appearance of the new situation and new problems, some longstanding ideas, methods, and workstyle are no longer useful and must be improved. In this connection, we have stressed the following few points in our guiding ideology and work:

1. We have persisted in making judicial work serve reform and construction in an effort to maintain stability and unity.

During the great historical process of reform and opening up and due to one reason or another, some judicial workers failed to fully understand the whole situation and to enhance their consciousness in serving reform and opening up. In order to solve this problem, we have analyzed some typical cases by combining the study of the line, principles, and policies defined since the 3d plenary session of the 11th party Central Committee with the reality of the court work, conducted discussions, fostered an idea of reform and opening up, and induced cadres and policemen to unceasingly deepen their understanding of making judicial work serve economic construction and reform. [passage omitted]

2. We have conducted strict law enforcement and unceasingly improved law enforcement activities.

The basic principle of judicial work is to have the law and discipline abided by and strictly enforced and to ensure that law-breakers are duly punished. Over the past few years, we have constantly educated cadres and

policemen to enhance their awareness of the law and their consciousness of handling things in line with the law, to implement the principle of quality first and to pay attention to "accuracy" in the course of handling cases. [passage omitted]

3. We have strengthened the building of the people's courts, and settled many disputes at the grass-roots levels.

In order to make things easier for the people to file appeals, over the past few years, the people's courts at all levels have strengthened the building of the people's courts and grasped it as an important task. They have strengthened leadership, reinforced forces, made rational arrangements, and advanced the work of the people's courts. [passage omitted]

4. We have strengthened the self-cultivation of courts and strived to raise the quality of cadres and policemen. [passage omitted]

Shanxi Party Committee Work Conference Held
HK2506072488 Taiyuan SHANXI RIBAO
in Chinese 4 Jun 88 p 1

[Report: "Provincial Party Committee Holds Work Conference"]

[Text] The Shanxi Provincial CPC Committee held a work conference from 31 May to 3 June. The conference mainly discussed the program entitled "Seize the Opportunity of Instituting the Coastal Strategy and Step Up Shanxi's Economic Development" tabled by the provincial party committee. Present at the conference were responsible comrades from the provincial party committee, Advisory Committee, People's Congress, government, CPPCC, all prefectures, cities and all departments, commissions, offices, and bureaus under the provincial authorities. Comrade Lu Gongxun presided over the first day's meeting where Comrade Li Ligong made a speech and Comrade Wang Maolin explained some major points of the program. Toward the close of the conference, Comrade Bai Qingcai reported on the province's current economic work and Comrade Li Ligong gave a summation.

The participants each aired their views vigorously and with high morale. They all held that this meeting, featuring emancipation of the mind, is a significant meeting marking the turning-point of Shanxi's economic development. The conference has achieved its desired results with all the participants having their thinking clarified and their mind enlightened. The program, "Seize the Opportunity of Instituting the Coastal Strategy and Step Up Shanxi's Economic Development," drawn up by the provincial party committee and the provincial government is based on an analysis of the situation at home and abroad, an intensive investigation inside and outside the province, and opinions from different quarters. In the wake of the 2d Plenary Session of the 13th CPC Central

Committee, the provincial party committee, rather than immediately holding a general meeting to pass on the spirit of the plenary session as practised in the past, decided that the spirit of the plenary session will not be implemented step by step in a planned way until a proper investigation and ample preparations have been made. Upon the close of the 2d plenary session, the provincial party set about drawing up a document calling for all departments and all localities to earnestly study and carry out the central authorities' economic development strategy for coastal areas, then sent study groups to coastal provinces and cities to make investigations while organizing researches at home. When the study groups were back home, the provincial party committee and provincial government held seminars and all economic offices and bureaus concerned worked out preliminary measures. Afterwards, the provincial party committee and the provincial government started drawing up the program and after repeated discussions and alterations and through wide consultation among over 300 responsible comrades at and above bureau, department, city and prefecture level, produced the preliminary program of "Seize the Opportunity of Instituting the Coastal Strategy and Step Up Shanxi's Economic Development". When Comrade Wang Senhao was at the Central Party School, he called on over 40 comrades from Shanxi studying there to earnestly discuss and submit amendments to the draft. The present draft is the fourth version. The standing committee of the provincial party committee believed the version was now good enough for further soliciting opinions at this meeting. Everybody was expected to give his opinion and make amendments through which they could also deepen their understanding and reach a consensus.

It is generally held that the work conference is the most effective and powerful meeting in recent years in connection with economic work under the auspices of the provincial party committee. The "program" suggests that in instituting the development strategy for the coastal area, we must, on the basis of the strong points our province enjoys, further implement the open policy in an overall way, setting "raising efficiency" and "earning foreign exchange through export" as our main objectives. The "program" also puts forward the policy under which we should develop lateral ties with coastal areas and inland provinces and cities, enthusiastically take part in competition and exchange at home and abroad, and promote reform, adjustment, construction and economic development through opening up. All the above main objectives and the policy tally with the spirit of the resolutions of the central authorities and the reality of our province. The ideas advanced in the program as a whole are correct and decisive and smack of something unique to Shanxi province. The policies and measures stipulated in the program where breakthroughs in policies and measures can be identified are practical and feasible, embodying the spirit of reform and openness. The guiding ideology and the program put forward by the provincial party committee which is based on Shanxi's strong points and on an analysis of the

opportunities and challenges facing us, will contribute to reaching unanimity of thinking of the people throughout the province and mobilizing their enthusiasm.

What counts in implementing the strategy for coastal areas is to make reform dominate the overall situation, carry out the central authorities' policies fully, properly, flexibly, and dare to make appropriate adaptations in light of specific conditions. To carry out the program, the conference deemed it necessary to educate people on how to emancipate the mind and rejuvenate their thinking, and to conduct a mass discussion on the criterion of productive forces. The provincial party committee and government must set an example in emancipating the mind. Party committees and governments at all levels must pay close attention to this major issue and handle it well.

Everyone held that in order to act in a bold way it is necessary to pay attention to unity, timeliness, topographical advantages, support of the people, and to creation of a favorable atmosphere for reform. The people throughout Shanxi Province should brace up under the banner of "A Prosperous Shanxi and a Wealthy People" and engage in reform, construction and economic work heart and soul, for which purpose they should place stress on unity, understanding, and support. Unity should be based on understanding and mutual affinity. Misgivings and sentiments of blaming everyone and everything but oneself must be dispelled. Leading cadres at all levels must set an example in reaching unity, and, by means of powerful ideological and political work, further pool the strength for reform, and encourage the party members, cadres and the broad masses across the province to close ranks to engage in economic work and reform, and to contribute to the realization of "A Prosperous Shanxi and a Wealthy People" wholeheartedly and with sustained high enthusiasm. Leaders at all levels should live up to the expectation of the people throughout the province by improving their style of work and keeping themselves free from corruption in performing their duties.

The conference called on all offices, departments, prefectures and cities to pay close attention to the implementation of the program, relaying the program while carrying it out. Those things that can certainly be done must be done quickly and well, admitting no delay. A mass debate on the criterion of productive forces must be conducted and relevant measures worked out in the light of reality.

The provincial party committee believes that so long as we have our mind emancipated and our concepts renewed, the commodity economy will develop quicker, enabling Shanxi to have a very good chance at success and greatly quickening the tempo of the campaign to realize "A Prosperous Shanxi and a Wealthy People."

**Tianjin People's Congress Work Report Delivered
SK2506041088 Tianjin TIANJIN RIBAO
in Chinese 25 May 88 p 2**

[Report on the work of the Standing Committee of the Tianjin Municipal People's Congress, delivered by Zhang Zaiwang, chairman of the Standing Committee of the municipal People's Congress, at the 1st session of the 11th municipal People's Congress on 19 May 1988]

[Excerpts] Fellow deputies:

Entrusted by the Standing Committee of the 10th Tianjin Municipal People's Congress, I submit a report to the session on the major work of the Standing Committee over the past 5 years.

Since April 1983, when the Standing Committee of the 10th municipal People's Congress was elected, the committee has conscientiously implemented, according to the Constitution and the local organizational law, the line set forth at the 3d plenary session of the 11th party Central Committee; has conscientiously exercised, according to the strategic plan of the party Central Committee and the central tasks of the municipality, the function and powers entrusted to it by the Constitution and the law; and has made new progress in the work in all fields based on the work of the last Standing Committee. In particular, the Standing Committee has scored comparatively notable achievements in formulating rules for local people's congresses, exercising supervisory functions and powers according to law, and establishing contacts with deputies to the municipal People's Congress. Over the past 5 years, the Standing Committee has effectively brought into play its role as a local organ of state power and has made due contributions to the construction of the municipality's socialist democracy and legal system.

1. Great progress was made in local legislative work.

The formulation of rules for local people's congresses is a key duty entrusted to the Standing Committee by the Constitution and law, is a component part of socialist democracy and the legal system, and is a key link to realizing the requirement of "running the municipality according to law." [passage omitted]

While doing legislative work, the Standing Committee conscientiously paid attention to grasping the following several principles: 1) The Standing Committee persistently regarded the Constitution and law as the basis and the party's line, principles, and policies as guidance. In line with the reality of the municipality, the Standing Committee strived to make legislative work suit the demands of the municipality's reform and construction and embody the municipality's actual conditions and characteristics. 2) The Standing Committee persisted in the spirit of positively forging ahead. Instead of adopting a wait-and-see attitude, the Standing Committee seized the opportunity to positively engage in legislative work

in an effort to support, ensure, and promote reform only when the municipality's political, economic, and cultural construction, reform work, and opening to the outside world promptly needed it and only when both subjective and objective conditions basically permitted. 3) The Standing Committee persistently enforced legislation, engaged in its affairs prudently, and did not jump to conclusions. [passage omitted] 4) The Standing Committee conscientiously implemented the principle of democratic centralism. It regarded the process of examining and discussing draft rules and regulations as a process of advancing democracy and pooling the wisdom of the masses. In the preliminary state of examining draft rules and regulations, the Standing Committee organized and convened various types of forums to extensively hear the opinions made by legal workers, practical workers, and theoretical study workers. Sometimes, the Standing Committee members went to the legislative work departments of the NPC Standing Committee and the State Council or to other places to conduct study and investigations. At the Standing Committee meetings to examine and discuss these rules and regulations, it paid particular attention to hearing and drawing different opinions and would not vote until opinions were generally unified.

In order to do a good job in legislative work, the Standing Committee made explorations in the course of practice and gradually set up the system and procedures for formulating rules for local people's congresses. [passage omitted]

2. Supervisory work was strengthened ceaselessly.

Exercising supervisory functions and powers according to law is regular work for the Standing Committee. The exercise of other functions and powers was closely linked with supervisory work. Supervisory work includes the supervision of law enforcement and the fulfillment of the work.

Over the past 5 years, the Standing Committee has constantly regarded the supervision of the enforcement of the Constitution, law, and rules for local people's congresses as the primary task of supervisory work.

The Constitution is the fundamental law of the state. Our country's current Constitution is the fundamental legal guarantee for the people of various nationalities to adhere to the four cardinal principles, persist in the principle of reform and opening to the outside world, and conduct socialist modernization.

In the course of supervising law enforcement, the Standing Committee strengthened the supervision over law enforcement by procuratorial, judicial, and judicial administrative organs. The Standing Committee successively conducted investigations and inspections of dealing blows to serious economic crimes, trying civil cases, and judging criminal offenders and on the public security work, the work of lawyers, and notarization work;

heard work reports made by relevant departments; set forth suggestions; and helped upgrade these organs' and their staff's awareness of strictly handling cases and handling affairs according to law. [passage omitted]

The Standing Committee paid full attention to popularizing the general knowledge of law among citizens throughout the municipality and conscientiously promoted the development of education on popularizing the general knowledge of law. In 1984 and 1985, respectively, the Standing Committee made resolutions on strengthening the propaganda and education of the legal system and on popularizing the general knowledge of law. It also organized groups to investigate and inspect the situation of popularizing the general knowledge of law deep among the grass-roots units and to hear the reports on the work in this regard delivered by the city governments. [passage omitted]

3. Better achievements were made in maintaining contact with deputies.

The People's Congress is composed of deputies. How deputies play their roles directly affects whether or not the organs of power can correctly and fully exercise their functions and powers. The Standing Committee has constantly paid attention to respecting the deputies' legal positions; positively supported deputies to do their duties; and persisted in the method of maintaining contact with deputies to understand the voice and opinions of the masses so as to ensure that the rules, regulations, resolutions, and decisions made by the Standing Committee would further align with the aspirations and requirements of the people throughout the municipality and further conform to reality. [passage omitted]

The enhancement of the work of maintaining contact with the district and county people's congress standing committees is a key part of the work of maintaining contact with deputies as well as a basic link to achieving a success in the work of the People's Congress. The Standing Committee constantly persisted in the system of inviting responsible comrades of the district and county people's congress standing committees to attend Standing Committee meetings as observers. The municipal People's Congress Standing Committee has enjoyed the great support of the district and county People's Congress standing committees in formulating rules for local people's congresses, conducting supervisory work, maintaining contact with deputies, and guiding term-shift electoral work. Chairman and vice chairmen of the Standing Committee of the municipal People's Congress respectively guided office cadres to twice visit 18 district and county people's congress standing committees in order to understand and popularize the good experiences in People's Congress work gained by the district and county people's congresses; to understand the difficulties and problems in their work; and to make essential preparation for convening municipal People's Congress work conferences.

4. The Standing Committee positively guided the work of electing the next district, county, town, and township people's congresses.

During its term of office, the Standing Committee has twice guided the work of electing district, county, town, and township people's congresses. The electoral work on these two occasions was carried out smoothly and satisfactorily. [passage omitted]

5. The Standing Committee did a good job in self-construction.

Whether the Standing Committee can improve its functions and bring its functions and powers into full play hinges to a great extent on its ideological, organizational, and institutional construction in addition to the fact that deputies should bring their roles into full play. Ideological, organizational, and institutional construction are important measures for perfecting the Standing Committee's functions and work efficiency as well as an important foundation for achieving success in the People's Congress work. Over the past 5 years, the Standing Committee made unremitting efforts to improve its ideological, organizational, and institutional construction. [passage omitted]

Along with further implementing the principle of opening to the outside world, our municipality has conducted increasingly more friendly exchanges with some foreign cities. The 10th municipal People's Congress and its Standing Committee have enhanced its friendship ties with representative assemblies of foreign countries. Delegations of foreign countries paid annual visits to the municipality over the past 5 years. The Standing Committee also sent delegations to visit the Japanese cities of Kobe and Yokkaichi and Hyogo County in Japan. [passage omitted]

Fellow deputies! The Standing Committee of the 10th municipal People's Congress has made great efforts to do the work within their functions and powers, has scored certain achievements, and has made due contributions to strengthening the construction of the municipality's democracy and legal system and promoting the municipality's reform and opening to the outside world. However, the municipality still lags behind when compared with the rapid development of economic construction, the increasing deepening of the situation of reform, and the people's requirement for strengthening democratic and political construction. The Standing Committee failed to fully exercise the functions and powers entrusted by the Constitution and law. The task for formulating rules for local people's congresses is rather arduous. The rules already enacted for local people's congresses should be revised and perfected in line with the development of the situation. It is necessary to further strengthen the supervision over law enforcement and the fulfillment of work. The Standing Committee must accumulate experiences on institutionalizing and

regularizing the supervisory work in the course of political structural reform. Deputies should further make explorations in order to further play their roles in engaging in and discussing political affairs and managing state affairs. The work of handling motions, suggestions, criticisms, and opinions set forth by deputies should be further improved. The Standing Committee should further strengthen its contacts with the district and county People's Congress standing committees and should show more concern about their practical difficulties and problems. It is necessary to study questions on constructing local political power. The Standing Committee should continue to strengthen its ideological, organizational, and institutional construction. Problems concerning organizational setup, the authorized size of staffs, and the improvement of cadres' quality demand solution. We sincerely expect that all deputies will examine the work of this Standing Committee and then make criticism.

Fellow deputies! The term of office for the Standing Committee of the 10th municipal People's Congress will expire soon. The next municipal People's Congress Standing Committee will be elected through this session. We believe that the 11th municipal People's Congress and its Standing Committee will certainly be able to take the guidelines of the 13th party congress and the 1st session of the 7th NPC as guidance, proceed from the basic national condition of the initial stage of socialism, firmly persist in the "one key link and the two basic points," regard the guarantee and promotion of reform as their primary duty and the enhancement of socialist democracy and legal system as their key task, certainly bring into play their functions and powers, make effective results in their work, and make great contributions to the municipality's socialist modernization.

Northeast Region

Heilongjiang Establishes Foreign Capital Group SK2606040988 Harbin Heilongjiang Provincial Service in Mandarin 2100 GMT 23 Jun 88

[Excerpts] Formulating a series of preferential policies to improve the investment climate for foreign firms, our province has enabled Chinese-foreign joint ventures in our province to step into a stage of mature development from the beginning stage. By the end of May this year, our province had approved 113 Chinese-foreign joint ventures and cooperative enterprises and brought in more than \$139 million in foreign capital. [passage omitted]

Chinese-foreign joint ventures and cooperative enterprises have brought in funds, advanced technology, and modern management methods from abroad. Last year alone, they turned in more than 4.5 million yuan of taxes to the state and earned \$5.83 million in foreign exchange through exports.

Our province's Chinese-foreign joint ventures and cooperative enterprises have scored some achievements, but many problems still exist in the autonomy of enterprises and the supply of raw materials. In view of this, Vice Governor Du Xianzhong stressed at a forum on Chinese-foreign joint ventures which concluded on 23 June that departments at various levels should further emancipate the mind, cooperate closely, and adopt all possible means to raise their work efficiency. They should treat Chinese-foreign joint ventures according to international practice and guarantee the terms of reference of boards of directors as legal entities, in which no departments and individuals have the authority to intervene.

Vice Governor Du Xianzhong said: To further improve our province's investment climate, the provincial government especially established a foreign capital work leading group recently. In the next step, an office will be established to render good service to the absorption of foreign funds.

Daqing Oil Field Starts Subsidiary Enterprises OW2606133088 Beijing XINHUA in English 1107 GMT 26 Jun 88

[Text] Harbin, June 26 (XINHUA)— Daqing, China's biggest oil field, has started up subsidiary industrial enterprises in preparation for a tapering off of oil production, beginning in 1995.

An official from the Daqing municipal government told XINHUA the proven oil reserves at Daqing can be tapped until 1995 at the present annual output of 36 million bbl. Then the output will gradually go down.

Along with output reduction, there will be less income for workers and employment difficulties for their children.

At present, petroleum and petrochemical industry account for 81 percent of the city's total output value.

To meet the challenge, the official said, since 1983 the city has imported advanced technology and equipment from abroad, and by the end of last year, 291 enterprises involving the machinery, textile, plastics and foodstuffs industries have been built.

Now another 40 projects are under consideration and the city will pool state, collective and private efforts together to build medium and small-sized enterprises, said the official.

Jilin's He Zhukang at Afforestation Conference SK2606041588 Changchun Jilin Provincial Service in Mandarin 2100 GMT 23 Jun 88

[Text] The provincial government held a provincial afforestation work conference in Liaoyuan City on 23 June.

The State Council, the Central Greening Committee, and the Ministry of Forestry attached great importance to this conference. Vice premier Tian Jiyun wrote an inscription in his own handwriting for the monument marking the cultivation of 1 million mu of artificial forests. Comrade Wang Bin, deputy director of the general office of the Central Greening Committee and former vice minister of forestry, made a special trip from Beijing to attend the conference. The Ministry of Forestry sent a congratulatory message.

Vice Governor Hui Liangyu presided over the 23 June Conference. Comrade (Yang Jincai), deputy secretary general of the provincial government, read a (?decision) on commending and rewarding counties and cities that cultivate 1 million mu of artificial forests.

In his speech, He Zhukang, secretary of the provincial party committee and governor, first fully affirmed the notable results that the province had achieved in afforestation and, on behalf of the provincial party committee and government, extended [words indistinct] the Shuangliao, Dongfeng, [passage indistinct]. At present some localities lack a sense of crisis toward the rigorous situation that forestry faces and a sense of urgency and responsibility toward afforestation work. This is not (?compatible with) the grand goal of afforesting the vast land of Jilin in 10 years.

Comrade He Zhukang said: Jilin Province is one of the country's key forest areas, and forestry is a major advantage of our province. Afforesting the vast land of Jilin is a strategic issue for our province, an issue which concerns the overall situation. Principal leading persons of various cities, prefectures, and the autonomous prefecture should personally be responsible for this work, assign afforestation targets to every level, and take fulfillment of the targets as the major criterion for appraising performance. Afforestation is a task not only for forestry departments but also for every level, every walk of life, and all people. The CYL, women's federations, trade unions, Young Pioneers, and other organizations should also actively organize afforestation. Meanwhile, we should greatly encourage the various tree-planting activities which mark certain events.

At 1030 on 23 June, some delegates came to Shuangliao County to participate in a ceremony to unveil the monument marking the cultivation of 1 million mu of artificial forests. Comrade He Zhukang and Comrade Wang Bin unveiled the monument.

Jilin Trade Union Delegation Returns From DPRK
SK2606035188 Changchun Jilin Provincial Service in Mandarin 0930 GMT 25 Jun 88

[Text] Our province's trade union delegation concluded its visit to the DPRK and returned to Changchun by train this morning. The delegation visited Korea at the invitation of the administrative and economic guidance committee of Korea's Chagang Province.

Liaoning To Auction Off Industrial Firms
HK2406131988 Beijing CEI Database in English 24 Jun 88

[Text] Beijing (CEI)—Liaoning Province will auction off 33 of its small industrial enterprises either to foreign investors as solely foreign-funded enterprises or as joint ventures.

The vice-governor of the province announced this on June 21 at the ongoing China-U.S. joint session on industry, trade and economic development.

The enterprises to be auctioned cover metallurgy, chemistry, machinery, electronics, light industry, textiles and construction materials. The biggest one has a fixed assets worth of 35 million yuan and employs 3,000 people.

An official from the province said most of these enterprises are poor in management and backward in technology. It is necessary for them to update their equipment and introduce advanced foreign technical knowhow and management.

Northwest Region

Education for Hui Minority Improves in Ningxia
OW2606125588 Beijing XINHUA in English 1152 GMT 26 Jun 88

[Text] Yinchuan, June 26 (XINHUA)— To improve the backward education of its ethnic minorities, the Ningxia Hui Autonomous Region has adopted many measures over the past few years, an education official said here today.

As a result, Hui (Moslem) students numbered 250,000 last year, accounting for 25 percent of the region's total of students. The rate was approaching the proportion of Hui people— about one-third— among the entire population.

The region provides free education for primary students in the mountainous southern part, where the Hui people live in compact communities.

Local authorities spend 1.5 million yuan (about 400,000 U.S. dollars) on textbooks alone annually. In addition, the region has built 19 boarding middle schools and 114 primary schools for Hui children in Guyuan, Xiji, Haiyuan, Jingyuan, Tongxin, Wuzhong and Lingwu Counties, and added boarding classes and preparatory courses in some senior middle schools, Ningxia University and colleges.

Meanwhile, the local education department has lowered enrollment marks for Hui students and stipulated the proportion of Hui students for various schools. Outstanding Hui students are sent to other parts of China where school facilities are better.

Local officials, peasants, workers and self-employed people vie with each other to make donations for school facilities. In Guyuan County, such donations came to more than 200,000 yuan in May.

The regional authorities plan to repair all the dilapidated classrooms of primary and middle schools within the year. For this purpose, they have allocated 11 million yuan.

The region boasts seven higher-learning institutions, 26 secondary vocational schools, 468 middle schools, 4,320 primary schools and 400 adult schools. In 1949 when it was liberated, however, the region had only 20 middle and primary schools.

Qinghai's Xining City Mayor Luo Resigns
OW2406225388 Beijing XINHUA in English
1437 GMT 24 Jun 88

[Text] Xining, June 24 (XINHUA)— Mayor Luo Kunan of Xining, capital of Qinghai Province, has resigned, accepting responsibility for an accident during the lantern festival last March. At the same time, the Standing Committee of the Xining People's Congress deprived Liu Guangqian of his post as vice-mayor and Zhao Hua of his post as director of the city's Public Security Bureau.

A stampede during the ceremonial lantern festival March 2 left 18 dead and 119 injured. Property damage was estimated at 99,000 yuan.

An investigation by the Qinghai provincial government accused the city authorities of dereliction of duty.

Shaanxi Reports Revenue Decline, Spending Increase
HK2506014788 Xian Shaanxi Provincial Service
in Mandarin 2330 GMT 24 Jun 88

[Text] Shaanxi's financial revenue fell while expenditure increased during the first 5 months of this year. By the end of May, revenue totaled 1,192 million yuan, representing only 36.32 percent of the target for the year. Calculating by average progression, this means a shortfall of 163.27 million yuan.

The main reasons for this shortfall in the first 5 months of the year were: Economic returns in the enterprises were not good enough; production costs of comparable products of industrial enterprises rose compared with the same period last year; and enterprise losses increased, while profits declined.

Financial expenditure during the same period was 1,277.27 million yuan, a rise of 210 million yuan compared with the same period last year.

The provincial authorities have demanded that the prefectures, cities, and departments seriously organize revenue and control expenditure. They must strictly control tax waivers and exemptions.

Premier Yu Interviewed by Local Television

On Opposition in New Cabinet

HK2706084788 Hong Kong AFP in English 0831 GMT
27 Jun 88

[Text] Taipei, June 27 (AFP)—Taiwan Premier Yu Kuo-hwa was Monday quoted as saying he could consider inviting non-hostile opposition politicians to join the cabinet after the 13th congress of the ruling Kuomintang (KMT) next month.

He was quoted in an interview with the pro-government UNITED DAILY NEWS published amidst calls from opposition members and KMT liberals for a major cabinet reshuffle and a younger, dynamic premier to replace Mr. Yu, 74.

The privately-owned newspaper quoted the premier as saying that, to speed up reforms, he would recruit younger, aggressive and perceptive cabinet members after the July 1-13 congress.

Non-KMT politicians who are not hostile to the government and are devoted to national development and people's well-being could also be invited to join, he was quoted as saying.

The premier told the mass-circulation daily that duty calls for him to continue in his post to face a period of political, economic and social transition in the country.

His critics say he lacks vitality and aggressiveness and they fear that a conservative cabinet would hamper reforms due to be endorsed by the congress and jeopardize the KMT's chances in the next parliamentary elections, scheduled for December next year.

But a man considered a likely future premier, President of the Judicial Yuan Lin Yang-kang, has said he supports Mr. Yu for the sake of political stability.

The 61-year old head of Taiwan's highest judicial body described Mr. Yu as an "honest gentleman" who makes policy decisions after extensive evaluation.

"To maintain stability and coherence of political development, it is more proper that Yu Kuo-hwa continued to head the cabinet," he told Taiwan Television Enterprise in an interview Sunday.

Mr. Lin said the country's economic growth in recent years and social stability after the lifting of martial law in 1987 was due to Mr. Yu's leadership, but the premier "probably...did not seek to promote himself".

"Being cautious and conservative as a leading decision-maker who is responsible for the interests of country and people cannot be criticized as a shortcoming," he added.

Mr. Lin also urged delegates to the KMT congress to endorse President Li Teng-hui as party chairman "to promote unity and harmony".

Mr. Li was elected acting party chairman in January shortly after president and party chairman Chiang Ching-kuo died. He is the first president born in Taiwan and observers said if a new premier is named, it could be a person born on the mainland, to "balance" the leadership.

Discusses Mainland Policy

OW2606001088 Taipei CNA in English 1515 GMT
25 Jun 88

[Text] Taipei, June 25 (CNA): Premier Yu Kuo-hwa, who is also a member of the Kuomintang (KMT) Central Standing Committee, said Saturday the ruling party should rejuvenate its leadership by injecting more new blood into the party's higher echelons. Premier Yu made his remarks in an interview with the TV, during which he talked about a wide range of issues and his expectation of the upcoming 13th KMT National Congress.

The KMT must consolidate its leadership during the party congress, scheduled to open in Taipei July 7, so that the ruling party will be able to complete its unaccomplished missions, Yu stressed.

On the rejuvenation of the KMT's leadership structure, an issue widely concerned about by the general public, Yu said he agreed that more young, talented people should be given the opportunity to shoulder bigger responsibilities.

Yu pointed out that in the coming days of his premiership, he will continue to carry on the 14 major construction projects so as to stimulate the nation's economic growth and upgrade the people's living standards.

The premier pledged that he will also continue promoting a consensus among the people that the nation should attach equal importance to democratic development and the rule of law in order to make the society more harmonious and prosperous. He said he believes the nation can overcome whatever difficulties it might face "as long as we stand together and work strenuously."

Asked whether there would be any change in the government's policy towards the Chinese mainland after the government allowed local people to visit their relatives on the mainland late last year, Premier Yu replied that the government is now making a thorough review of the policy. The lifting of the ban on mainland visits has earned high acclaim for the nation from the international community, but it has also caused some adverse effects, Yu said. The government wishes to make it more convenient and easy for local people to make the family reunion visits, Premier Yu said. He warned, however, that the general public should always beware of Chinese Communists' "United Front" ploys.

Radio on Deng Xiaoping's Criticism of Mao Record
OW2606112388 Taipei International Service
in English 0200 GMT 24 Jun 88

[Station commentary: "Teng Pounces on Mao's Record Again"]

[Text] In what has become a routine spiel in his conversations with foreign leaders, Communist China's paramount leader, Teng Hsiao-ping, has once again laid into the record of the Maoist era on Mainland China.

This time around Teng was meeting with Ethiopian President Mengistu Haile Mariam, who is visiting Peking this week. In the meeting, Teng confidently assessed his own record, putting stress on his economic reform program begun in 1978, when he returned to power after being twice purged by Mao and the gang of four.

Teng dwelt on the subject of his banishment to rural Kiangsi Province for several minutes. He related how he had been labeled a capitalist roader, then was railroaded and purged by Communist Party leftists. He condemned the leftists for bringing Mainland China to the brink of total collapse. The people agonized and despaired under the leftists in the fifties, sixties and seventies, he told the Ethiopian president.

Teng's condemnation of the mainland's Maoist past was said to be unusually sweeping. He criticized the leftists for suffocating the productive forces and living standards of the people, and blamed the catastrophic era's problems on the leftists' twin policies of emphasizing ideology and the isolation of mainland China from the outside world.

If by discussing this it sounds as if we are endorsing what Teng has said, make no mistake—we are. Mao and his fellow leftists wrought a 30-year path of unprecedented destruction throughout China. Since 1978, Teng has tried to pick up the economic pieces by introducing reforms that mimick in some ways the successful path of development taken by the Chinese here on Taiwan. But similarities are nevertheless tenuous. Teng has failed to realize that a market economy cannot thrive without corresponding liberalizations in politics and society. An open society is a prerequisite of the reforms Teng wants to implement. So, while we endorse his condemnation of the Maoist era, we also strongly regret that Teng himself is not willing to chuck communism altogether and move Mainland China in the direction of Taiwan and Hong Kong. That he is holding back suggests he is in some ways no different from his Maoist predecessors when it comes to sustaining unpopular communist rule.

Which brings us back to the subject at hand, Teng's meeting with the Ethiopian president. If Teng was trying to convince President Mariam to avoid leftist policies, he sure picked the right man to warn. If any country insults the intelligence of free men, it is Ethiopia. That

northeast African country has been the scene of the worst starvation ever suffered by man. Some observers charge that Mariam and his fellow communists are purposefully committing genocide upon their own peoples, to make room for easier control in that poorest of countries. Sort of an African version of Pol Pot. Mariam's regime spends what little cash it has on arms purchases from Moscow. Meanwhile, the Free World holds benefit rock concerts and other charity events to raise money for the starving children of Ethiopia. The aid that does reach Ethiopia is often sidetracked by communist leaders who use it to feed troops waging war with Ethiopia's neighbor, Somalia.

All this is enough to turn any decent person's stomach. One would hope that Teng Hsiao-ping's lesson about leftism in Mainland China will sink into Mariam's conscience. Just as Mao's crimes against the Chinese people were his eventual undoing, so will Mariam face a similar fate.

'Peking' Described as 'Unscrupulous' Arms Dealer
OW2506144188 Taipei International Service
in English 0200 GMT 25 Jun 88

[Station commentary "Peking Troubles U.S. Over Missile Sales"]

[Text] The U.S. State Department announced on Wednesday that it is very displeased with reports that Communist China is preparing to sell ballistic missiles to Syria. A U.S. State Department spokesman said Washington has passed the message of its concern on to Peking but with no response.

Israel first broke the news last week when Foreign Minister Shim'on Peres said that Communist China and Syria have entered preliminary negotiations for the possible sale of M-9 missiles. The M-9 is a short-range ballistic missile still under development in Communist China. The M-9 is, however, said to be more advanced than similar types of weapons currently used by Communist China and the Soviet Union. It is said to be more accurate, and thus, far more deadly than current models. Peking has exhibited advance photos and prototypes of the M-9 at recent international arms shows.

U.S. State Department spokesman Charles Redman said, "The United States is concerned over the dangers posed by the global proliferation of ballistic missiles. Specially disturbing are such sales to global hot spots, such as the Middle East."

This is not the first time Communist China has raised the ire of the U.S. over arms sales to the Middle East. Last year, Washington-Peking relations were hurt by the revelations of intelligence services that it was Peking who was supplying Silkworm missiles to Iran. Iran, in turn, used the land-based missiles to fire on Gulf shipping. The missiles were also used in several attacks on

Kuwaiti ports. After months of diplomatic wrangling, Washington extracted a promise from Peking in which the latter agreed to stop arming Iran with Silkworms.

Then early this year, Washington discovered that Saudi Arabia had purchased a long-range missile from Peking. That missile is also a ballistic one, and one that happens to be the delivery vehicle for Communist China's own nuclear arsenal. That sale provoked a furor over Saudi Arabia's intentions, since the missile was known to carry nuclear warheads for intercontinental purposes. But, the Saudis quickly denied that they had such intentions and the matter has since died down.

The impending sale of the M-9 ballistic missile to Syria is just another of a series of shocks that Peking has sent through the international arms community in the last year or two. The Western powers, and even the Soviet Union, are reeling somewhat from the realization that Communist China is quickly becoming a major world arms supplier.

It is not that the traditional arms suppliers do not like the competition, though they do find it hard to beat Peking's substantially lower prices. The real problem is that Peking is unscrupulous about to whom it sells weapons. What Peking wants is badly needed foreign exchange to fund its modernization drive at home. The Chinese Communists have discovered that arms sales are a quick fix to this problem. Thus, Peking has little or no reservations about selling arms to hot spots. It is no wonder that the Americans and others are worried about the missiles coming from Peking.

New Guatemalan Envoy Presents Credentials
OW2506013388 Taipei CNA in English 1428 GMT
24 Jun 88

[Text] Taipei, June 24 (CNA)— Guatemala's new ambassador to the Republic of China, Carlos Oriol Jimenez Quiroa, presented his credentials to President Li Teng-hui Friday.

Jimenez arrived at the presidential office in the company of [name indistinct], protocol director of the Foreign Ministry.

President Li accepted the new Guatemalan envoy's credentials at the reception room.

Others present included presidential Secretary General Shen Chang-huan, Gen. Kuo Ju-lin, personal chief of staff to the president, and Foreign Minister Ting Mou-shih.

Premier Receives Bahraini Commerce Minister
OW2406062488 Taipei CNA in English 1514 GMT
23 Jun 88

[Text] Taipei, June 23 (CNA)— The success story of the Republic of China [ROC] shows that a nation can develop very well using high quality manpower despite a shortage of natural resources, Premier Yu Kuo-hua said Thursday.

Premier Yu made his remarks while receiving Habib Ahmad al-Qasim, Bahraini minister of commerce and agriculture, who is here for an eight-day visit.

Yu told Al-Qasim that as the gap between the rich and poor narrows, a large middle class has emerged in the ROC to give the nation its stability.

Speaking of the nation's future development, Yu said that the government will simultaneously increase investment in environmental protection while pushing economic development.

Trade With Austria Increases 80 Percent
OW2406060788 Taipei CNA in English 1453 GMT
23 Jun 88

[Text] Vienna, June 23 (CNA)— Two-way trade between the Republic of China [ROC] and Austria in the first four months of 1988 amounted to U.S. \$85.5 million, up 83.5 percent over the same period of the preceding year, according to statistics compiled by the Far East Service Office in Vienna.

Statistics show that in the January-April period, ROC exports to Austria totaled U.S. \$55.6 million, up 80.5 percent from U.S. \$30.8 million in the same period of 1987.

ROC imports from Austria in the four-month period also showed marked increase at 89.2 percent, with the import value amounting to U.S. \$29.9 million. The ROC continued to enjoy considerably large surplus in its trade with Austria.

The ROC-Austria trade volume represented only an insignificant percentage of 1.5 percent in the ROC's overall trade with Europe in the January-April period. Two-way trade between the ROC and Europe amounted to U.S. \$5,825.8 million in the first four months of 1988.

Hong Kong

Britain Increases Contribution to Local Defense
HK2506052188 Hong Kong SOUTH CHINA
MORNING POST in English 25 Jun 88 p 1

[By political editor Ann Quon]

[Text] After months of tough bargaining, Britain has finally bowed to a Hong Kong demand to raise its share of the defence bill and will pay 10 percent more towards the cost of the British garrison. In a major victory for the territory Britain has agreed to pay 35 percent instead of 25 percent of Hong Kong's defence costs, with the territory's share dropping to 65 percent from 75 percent.

The new Defence Costs Agreement will result in an estimated \$7.5 million saving for local taxpayers over the next nine years, depending on the precise figures that are agreed upon.

The new deal—still to be approved by the Legislative Council—is the result of a long and bitter fight between both sides. If accepted it will be made retroactive to April 1 and remain in effect until July 1, 1997, when the British garrison will have to leave Hong Kong under terms of the Sino-British Joint Declaration. The new pact is a major concession by Britain that it should pay more towards the cost of maintaining the 9,000-strong garrison.

Estimates of how much the total defence package will cost have yet to be worked out. However, under the terms of the former pact which expired on March 31 after seven years, Hong Kong paid \$1.7 billion of the \$2 billion plus defence bill while Britain paid only \$572 million. Agreement has already been reached between Britain and China that the border duties of the garrison will be taken over by an expanded local police force.

During the defence cost talks, the leader of the Hong Kong team, Financial Secretary, Mr Piers Jacobs, argued long and hard that the territory could not afford to pay for both the British garrison and a bigger police force. It was only late in the talks that Britain reluctantly gave in and agreed to Hong Kong's demand in principle. This was despite a British policy of reduced defence spending in other areas.

Although the SOUTH CHINA MORNING POST understands that Britain had agreed to the new 65-35 split in March, outstanding differences on calculating costs forced both sides to remain silent. The Governor, Sir David Wilson, and British officials, including Foreign Secretary, Sir Geoffrey Howe, have hinted in recent months that agreement had been reached but refrained from divulging details. Those details were worked out last week in London between Mr Jacobs and British

Ministry of Defense officials. Mr Jacobs, who was on holiday in Britain, had to rush to London to wrap up the talks after Britain signalled its intention to clear remaining obstacles.

The breakthrough comes after 13 months of intense and sometimes heated discussions. At their worst, the British side walked out after an hour and talks broke down after another round late in the year. At the height of the talks, it was believed that Hong Kong had only managed to secure a 70-30 split with Britain, which is intent on keeping its own defence spending down.

The agreement is a much-needed victory for Mr Jacobs, whose image reached an all-time low during the October stock market crisis. Mr Jacobs has been under intense pressure from legislators who have made it no secret they would oppose any agreement that did not result in a substantial saving to tax payers.

Although it was originally thought that any new pact should last five years and be renewed when defence needs towards 1997 became clearer, it was finally agreed that a nine-year pact should take Hong Kong through to 1997.

Sir David's policy advisers and Executive Councillors were informed of the new pact last week.

Legislature May Hold Up Funds
HK2606064088 Hong Kong SOUTH CHINA
SUNDAY MORNING POST in English 26 Jun 88 p 1

[Text] Legislative Councilors, still unhappy despite a reduction in Hong Kong's share of the Defence Costs Agreement, are threatening to hold up funding for the pact.

The new agreement, announced by the Government yesterday and due to be initialled in London tomorrow, reduces Hong Kong's share of the costs from 75 percent to 65 percent with Britain making up the difference.

But legislators who believe Hong Kong's share should be reduced even further will oppose funding for the agreement when it comes before the powerful Finance Committee early next month.

The Finance Committee consists of all appointed and elected members of the Legislative Council. But the three Government officials on the committee—Chief Secretary Sir David Ford, Financial Secretary Mr Piers Jacobs, and Secretary for Lands and Works Mr Graham Barnes—have no vote. This could mean another battle for the Government before it convinces the legislators to approve the estimated \$1.5 billion funding needed for the current financial year.

The threat to hold up funds followed the announcement of the new pact after months of tough bargaining by a Hong Kong team led by Mr Jacobs. But a number of councillors reacted unfavourably to the news of the new 65-35 split of defence costs.

Mr Martin Lee Chu-ming declared that he would vote against the agreement. Five other members said the new arrangement was unacceptable. Mr Lee vowed to stage a protest to Lord Glenarthur, the British Foreign Office Minister with special responsibility for Hong Kong, when councillors meet him on Thursday.

In Beijing yesterday, Lord Glenarthur described the agreement as satisfactory but refused further comment until after he reaches Hong Kong this week.

Mr Lee said: "I will tell Lord Glenarthur that the agreement is totally unconscionable, and unacceptable to the people of Hong Kong." Maintaining that Hong Kong should not contribute anything to defence costs, Mr Lee said he hoped councillors would stick together to block funds for it in the Finance Committee.

"If we claim to represent the public, we should not give our support to the new pact," he said.

"The Finance Committee should take a firm stand because we hold a trump card.

"If we say no, I believe the British Government will request our Government to start a new round of talks.

"I feel that to require us to pay 65 percent from now to 1997 is totally unacceptable to the people of Hong Kong."

Mr Lee also suggested that it was not right for the present Finance Committee to decide the matter because their terms of office will expire in a few months. "We are dealing with nine years of defence costs and it would be more sensible if such a matter were deferred to the incoming committee in October. After all, there is no particular urgency."

Mr Andrew Wong said the new arrangement was not acceptable.

"I think defence costs for Hong Kong ought to be decreased on a sliding scale towards 1997 and ought to approach zero one or two years before 1997."

He said the reasons for this were two-fold.

—Hong Kong would not be asked to contribute to defence costs after 1997 when sovereignty is returned to China.

—With the gradual withdrawal of the British garrison in the mid-1990s, Hong Kong will have to strengthen its internal security forces and this will increase the territory's financial burden.

"I think we ought to contribute less and less," said Mr Wong.

Mr Stephen Cheong said he felt that the agreement was a "settlement imposed" by Britain instead of one reached after negotiation between the Hong Kong Government and Whitehall.

"I don't think we are getting a good deal at all. If we compare it with the past term, we only get a 10 percent reduction," he said.

"Should we not reduce it by much more—by 45 percent—or should we go on a gradual reduction as the garrison withdraws?

Mr Cheong said he would try to find out whether the agreement was a negotiated settlement or one imposed on Hong Kong by Britain.

"If it is an imposed decision, there is nothing that we, as a non-sovereign state, can do.

"If it is not an imposed decision, then we need to find out what the negotiating process was."

Both Mr Cheong and Mr Wong said they would examine the Finance Committee papers before deciding whether to vote against the allocation of funds for the agreement.

Mrs Rita Fan said she was not satisfied with the amount of the reduction.

"From a taxpayer's point of view, I would like to pay the minimum amount of the cost," she said.

"Although there is no bottom line, I would like it to be cut further."

Two other councillors, Mr Szeto Wah and Mr Tam Yiu-chung, said the agreement should be reviewed periodically so as to get a gradual reduction in Hong Kong's share towards 1997. Mr Szeto said the 65 percent share for Hong Kong was a slight improvement but "we need a gradual improvement not a nine-year deal which is not subject to change".

However, Dr Daniel Tse, who serves on both the Executive and Legislative Councils, said he finds the new pact acceptable.

Although the percentage of the total to be paid by Britain and Hong Kong would remain the same in the years ahead, Hong Kong could see its contribution reduced because the size of the British garrison will be trimmed towards 1997.

Mrs Selina Chow considered the new pact an improvement.

"The important thing is that the administration has tried its very best to negotiate," she said.

Tremendous effort has been put into the defence talks, she said.

"I believe there was some hard bargaining. It's an improvement. It's hard to say what the ideal percentage should be," she said.

Chinese Liaison Office Chief Arrives
OW2706110688 Beijing XINHUA in English
1040 GMT 27 Jun 88

[Text] Hong Kong, June 27 (XINHUA)— Ke Zaishuo, the chief representative of the Chinese team of the Sino-British Joint Liaison Group, arrived here this morning.

He is here to officiate the Chinese office of the Joint Liaison Group (JLG) on July 1 and to meet Robin McLaren, senior representative of the British team the same day.

The Chinese and British Governments agreed to establish separate offices in Hong Kong on July 1 this year as the principal base of the Joint Liaison Group in accordance with the provisions of the Sino-British Joint Declaration.

Ambassador Ke Zaishuo said, "although the establishment of the Hong Kong offices will not change the function of the liaison group, I believe it will strengthen the close relationship of the two sides and enable our work to accord more closely with the actual conditions of Hong Kong."

"In addition, we will also be able to work better for Hong Kong's interest both at present and in the future, and promote the prosperity and stability of Hong Kong," he added.

Refugee Policy Requires Additional Funds
OW2206121488 Beijing XINHUA in English
0108 GMT 22 Jun 88

[Text] Hong Kong, June 22 (XINHUA)— Hong Kong Government needs an initial investment of 142 million H.K. dollars (18.2 million U.S. dollars) for the first year to carry out its new screening policy on Vietnamese boat people successfully, a government spokesman has said.

The government announced last week that from June 16 it would begin to screen out economic emigrants from among the Vietnamese boat people entering Hong Kong and put them in detention centers as means to stem their overwhelming influx.

The financial implications of the policy change, including the establishment of screening procedures, detention centers and the upgrading of security work at Green Island where the center is located, are estimated to be some 39 million H.K. dollars (five million U.S. dollars) in capital expenditure and 103 million (13.2 million U.S. dollars) in regular expenditure per year.

In addition, continued maintenance of accommodation and care for boat people already here are estimated to be some 88 million H.K. dollars (11.3 million U.S. dollars) in capital expenditure, and some 166 million H.K. dollars in recurrent expenditure. Of these nearly a quarter would be recovered directly from the United Nations High Commissioner for Refugees (UNHCR) under the current agreement.

A government spokesman said that every effort would be made to persuade the UNHCR to increase its subsidy and to revise its apparent approach that Hong Kong, as a relatively prosperous territory, should receive relatively less subsidy from them.

The local finance committee will also be asked to approve additional financial implications to facilitate the policy change.

Mainland To Cooperate on Copyrights
OW2406010088 Beijing XINHUA in English
1537 GMT 23 Jun 88

[Text] Hong Kong, June 23 (XINHUA)— Copyright experts from the Chinese mainland and Hong Kong have joined their efforts and opened a new agency here today to provide services in Hong Kong, Macao and Taiwan as well as in the mainland.

The major business of the Copyright Agency of China (Hong Kong) include supplying publication information, handling the transaction of copyrights and authors' remuneration or copyright taxes.

"We believe that the new agency will also bridge the communication gap between the authors and publishers on either side of the Taiwan Strait, to protect their rights and interests and also to promote the cultural exchange in the Southeast Asian region," said Li Qi, general manager of the Copyright Agency of China which is CACH's business partner.

Although China has not yet a copyright law nor joined the International Copyright Treaty, the Chinese Government has worked out a number of regulations since 1984 to protect the legal rights of authors both inside and outside the mainland, he added.

The revised provisions by the National Copyright Administration stimulate that since March 1, 1988, if any publishing parties or individuals in the Chinese mainland infringe on the copyright of Taiwan authors,

the copyright owners can ask for help of the local copyright administrative department or to take legal proceedings against the party concerned at the local people's court, Li noted.

Liu Gao, deputy director of the National Copyright Administration, said here today that last autumn Taiwan lifted the ban on certain publications of the Chinese mainland and indicated that the copyright of the authors would be respected if their works were published in Taiwan.

"We express our welcome to such act taken by Taiwan authorities and are pleased to co-operate with the publishing and copyright authorities in Taiwan in an effort to contribute to the cultural exchange between the two places," Liu said.

Gross Output of Industry Up 28 Percent in 1986
*HK2706083788 Hong Kong SOUTH CHINA
MORNING POST (BUSINESS POST) in English 27
Jun 88 p 1*

[Text] The gross output of Hong Kong's industrial sector grew by a dramatic 28.4 percent in 1986 over 1985, the Census and Statistics Department reported yesterday.

The value of gross output for the year was estimated at about \$227.22 billion, according to summary statistics compiled from the survey of industrial production in 1986. Field work for the survey was undertaken between May last year and early this year.

The survey results indicated that there were 50,099 manufacturing establishments operating during the whole or part of 1986, which was a prosperous year for the manufacturing sector.

The total expenses of manufacturing establishments in 1986 included about \$150.98 billion on the purchases of materials, supplies and industrial work and services; \$39.68 billion on compensation of employees and \$18.86 billion on other expenses.

The total value added of the manufacturing sector stood at about \$62.78 billion in 1986, representing a substantial increase of 24.8 percent in current price terms compared with 1986.

Value added is a measure of the net output of the sector and reflects the sector's contribution to Hong Kong's gross domestic product.

Ranked according to their value added, the top five broad industry groups within the manufacturing sector in Hong Kong were: wearing apparel, \$14.54 billion or 23 percent of the total value added of the manufacturing sector; textiles, \$10.99 billion or 18 percent; fabricated

metal products, machinery and equipment, \$10.23 billion or 16 percent; electrical and electronic products, \$8.78 billion or 14 percent; and plastic products, about \$6.19 billion or 10 percent.

When analysed by the employment sizes of manufacturing establishments, the statistics showed that small establishments employing less than 10 persons represented about 67 percent of the total number of manufacturing establishments, but accounted for only eight percent, nine percent and 14 percent, respectively, of the gross output, value added and total work force of the manufacturing sector.

In contrast, establishments employing 10 or more persons contributed about 51 percent of both the sector's gross output and value added and employed about 42 percent of the total work force, although they represented only about three percent of the total number of manufacturing establishments.

Macao

Local Economic Situation Summarized
*HK2506070088 Beijing XINHUA Hong Kong
Service in Chinese 0712 GMT 10 Jun 88*

[Text] Macao, 10 Jun (XINHUA)—Summarizing Macao's current economic situation, our reporter said that over the past year or so since the signing of the Sino-Portuguese Joint Declaration on the Question of Macao, there has been a rapid economic growth in Macao. Its volume of export trade has increased by a big margin, great achievements have been made in pluralizing its industrial production. The economic situation as a whole has been continuously improving since entering the transitional period.

The total output value of Macao reached 14.6 billion Macao patacas last year, and its substantial economic growth rate reached 12 percent. Total volume of industrial export, which has a decisive influence on the overall economic situation, reached 11.2 billion Macao patacas last year, which was an increase of 30 percent over the previous year and a record high in Macao's history of export. Of the export industrial goods, textile and garment products were the strongest. Their export volume reached 8.258 billion Macao patacas, or 73.73 percent of the total export. Export of other products, such as toys, electronic products, artificial flowers, cement, painted pottery, leather, and optical products, also increased in varying degrees. All this shows that great achievements have been made in the effort to pluralize industrial production in Macao and new industries are springing up there. Total import volume grew 23.22 percent and reached 9 billion Macao patacas, adding momentum to Macao's economic development.

The growth of both import and export trades by a big margin has brought about a prosperous development of Macao's manufacturing industry, tourism, and financial

affairs. It has also promoted the rejuvenation of the building industry and real estate. Last year, this coastal city, which has only 500,000 residents, entertained more than 5 million visitors, bringing about a brisk market in the service trade, including hotels and the catering trade. As the occupancy rate has increased, the situation of competition among various hotels by means of reducing prices has been improved. In the financial field, the amounts of both deposits and loans of the 23 banks in Macao were greatly increased, of which total loans provided by banks reached more than 16.6099 billion Macao patacas by the end of last December, which was an increase of nearly 200 percent over the same period of the previous year. This shows that investments in various industrial and commercial businesses were greatly increased. In the building industry and real estate, as both industry and foreign trade have been vigorously developed since 1978 and the interest rate has been on the low side, the situation is comparatively good. Buying and selling of all kinds of buildings are brisk. Total turnover in this respect reached 1.13 billion Macao patacas last year, up 20 percent over 1986.

Since the beginning of this year, the good trend of continuous and steady economic growth has been maintained. In the first quarter, despite the influence of economic readjustment of the world and various objective factors, Macao's export volume still reached more than 2.468 billion Macao patacas, an increase of 9.36 percent over the same period of last year. Of this, export of textile and garment products increased by 9.36 percent, toys rose 16.4 percent, pottery rose 18.52 percent, leather and fur grew 49.4 percent, fireworks and firecrackers, up 43.58 percent, and optical instrument, up 24.51 percent. But export of electronics and machinery products dropped by 26.16 percent. Regarding the overseas market, total value of goods exported to the United States in the first quarter of this year increased by 8.31 percent over the same period of last year while that of the products exported to the EEC rose 5.34 percent. Of the latter, export to France reduced by 21.61 percent, while export to Portugal rose by 68.95 percent. Over the past few years, Macao's export to the United States, the largest of 10 major markets of the world, has been increasing year by year. Its proportion in the total export rose from 26.6 percent in 1983 to 33.4 percent last year. It shows that Macao's export is more and more dependent on the United States. But since the beginning of this year, this proportion has begun to drop. It was 31.3 percent of the total export in the first quarter. At the same time, Macao's exports to East Europe, Japan, Taiwan, South Korea, the Philippines, and Australia

have increased by a big margin. Although the absolute value of Macao's export to these countries and regions is not great, it reflects Macao's new efforts to find more new markets and reduce its dependence on the United States.

Being spurred by the growth of export trade, Macao's tourism, financial business, and the building industry and real estate have all developed this year. From January to April, there were 1.7 million visitors to Macao, an increase of 16.22 percent over the same period of last year. Financial business has been developing steadily. In the first quarter of this year, although both deposits and loans increased in varying degrees compared with the same period of last year, they dropped a little bit when compared with the fourth quarter. The property market has been brisk in the first half of this year. More buildings are being built or extended. Prices of both residential and industrial buildings have remained stable and there has been a brisk selling. There is also a favorable turn in the market of high buildings, the prices of which have stagnated for quite a long time. It is expected that more buildings will be completed within this year and the bearing capacity of the market will be tested.

Apart from various favorable conditions, the main reasons for the turn of Macao's economic situation for the better are: 1) The Sino-Portuguese Joint Declaration on the question of Macao tallies with the actual situation of Macao, reflects and policy of "one country, two systems," represents the interests of the people of all social strata, and lays a sound foundation for the social stability and economic development of Macao. Since the official signing of the Sino-Portuguese joint declaration, people of various strata in Macao have more confidence in their future and greater enthusiasm in promoting Macao's economic development. 2) The policy of reform and opening up in China's interiors, especially the strategy for coastal economic development, has played an important role in promoting Macao's economic development. Over the past year or so, economic relations between Macao and the interior parts of China have been further strengthened, their economic cooperation is becoming closer and closer with each passing day, and their economic exchanges are increasing day by day. The common development of both sides on a mutually beneficial basis has added new momentum to Macao's economic development. 3) The positive attitude and effective measures adopted by the government of Macao also had an important influence on the economic development of Macao.

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